



Is Aphria (TSX:APHA) Stock the Most-Watched Cannabis Investment Right Now?

Description

With leadership changes and a quarterly earnings report that shows considerable year-on-year growth, it's hard to go a day without seeing headlines that pertain to legal marijuana heavyweight, **Aphria** (TSX:APHA)(NYSE:APHA). One of the most popular weed stocks on the TSX index, [Aphria](#) has become a key stock to watch when gauging the performance of this fascinating new Canadian industry.

Aphria has outperformed the Canadian pharma crowd

Comparing year-on-year earnings growth within markets is a good way to get a handle on a stock's profitability. Aphria's one-year past earnings growth of 94% versus the Canadian pharma average of 72% should be vindication enough for shareholders that they were backing the right horse. That figure also beats a five-year average past earnings growth of 89.6%, and shows that Canadian pot stocks can pull it out of the bag when it comes to profitability. The other thing to bear in mind is that pharma is a key defensive area, and to outperform in this space is no mean feat.

Overall, Aphria stock is shaking out as a moderate to strong buy right now: it's got surprisingly good value stats, some decent quality indicators, and a fair amount of momentum. Let's break that down now and see how that buy signal is supported by the data.

While not an undervalued stock compared to the rest of the TSX index, Aphria stock has some interesting ratios at the moment: consider a P/E of 44.7 times earnings (a little high, but par for the course for an outperforming legal weed ticker), an acceptable PEG of 0.8 times growth, and a fairly modest P/B of 1.4 times book. There's no dividend on offer as yet, but who knows where the legal recreational and medical cannabis industry will end up?

A growth stock with impressive momentum stats

Meanwhile, quality is indicated by a ROE of 2% (low, but at least positive), EPS of \$0.19, and very tasty 54.7% expected annual growth in earnings. Sure, there are better quality stocks on the TSX index, but that projected jump in earnings should interest growth investors, while a very low comparative debt level of 3.8% of net worth should appease investors with a lower appetite for risk.

Aphria stock gained 15.99% in the last five days (not bad for a post-Christmas market) while its share price is overvalued by more than double its future cash flow value. A beta of 2.65 indicates high volatility. This means good things for the momentum investment crowd and shows that legal marijuana stocks can continue to reward buyers with upside.

The bottom line

Compare the above stats with those of **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC). You'll see that Aphria stock comes out on top in terms of value against a P/B of 7.1 times book. Indeed, in terms of valuation against growth, Aphria stock is the better buy. However, [Canopy Growth](#)'s 76.4% expected annual growth in earnings is a little higher, and with share price up 39.48% in the last five days, Canopy Growth beats Aphria on its core momentum stats, with a 2.94 per-market beta showing extreme volatility compared to the market.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Stocks for Beginners

Date

2025/08/26

Date Created

2019/01/13

Author

vhetherington

default watermark

default watermark