

## Aphria Inc. (TSX:APHA) Stock Has Surged 40% Over the Past Week: Is Now a Good Time to Buy?

### Description

Back in December 2018, I'd discussed the precipitous fall in Aphria stock following the [short report](#) from Hindenburg Research and Quintessential Capital Management. The stock would plunge to a 52-week low of \$4.76 in that same week. Although the report itself was troubling, I'd recommended that investors hold on and await a comprehensive response from the company.

The weeks to follow have been much kinder to Aphria, but the fallout from the short report has sparked major internal changes. CEO Vic Neufeld announced his resignation in early January. Shares responded well to the news. In a late January article, I'd discussed why Aphria priced below \$10 was still a [nice target area](#) for potential buyers.

Aphria stock has since surged 41% week over week as of early afternoon trading on February 4. Shares are now up 70% in 2019 so far. The stock was up another 10.25% in early afternoon trading as of this writing. Should investors be nervous as the broader sector has also gained significant momentum? Let's take a snapshot of Aphria today and decide what to do going forward.

Aphria released its fiscal 2019 second-quarter results on January 11. This was the first earnings release to include results after the legalization of recreational cannabis in Canada. However, the roll-out has been mired in issues, including scarcity in the face of booming demand in the opening weeks. Aphria and other large producers have worked to make up the difference, and by the end of 2019 it appears as if the market will do a reversal as supply rises to exceed demand.

Net revenue rose 63% year over year to \$21.7 million in Q2 2019. The company projected that its annual harvest will increase to 255,000 kilograms by the end of 2019. On the international front, the short report also received some pushback in a report from BNN *Bloomberg*. In early January, the *Bloomberg* report said that Aphria's Jamaica farms were "thriving." There was some back and forth with Quintessential, but all in all the report succeeded in contradicting the gloomy picture painted by the short-seller.

On the topic of short-sellers, it is worth noting that Aphria's recent price action has come in the wake of a call from a prominent player. Andrew Left of Citron Research said that he was exiting his position in Aphria on Friday. Citron had called Aphria to run to \$8 by the end of December. The stock sits at \$13.88 as of this writing. The report telegraphed a move to U.S. cannabis investing, saying that the Canadian market had "run too far."

How does Aphria stock look today? Well, for those who'd bought after the short report, holding shares in Aphria will have paid off nicely. The company has shown solid progress on the ground and appeared to win a public relations victory with the departure of Vic Neufeld. However, as it stands today the stock is very pricey. Glancing at its Relative Strength Index (RSI), Aphria stock boasts an RSI of 78. This indicates that the stock is deep into overbought territory as we open February.

Investors will be paying a premium for Aphria stock today as the cannabis sector is on another broad

run up.

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