



## Is Aphria Inc.'s (TSX:APHA) \$1 Billion Sales Target Out of Reach?

### Description

The norm these days for cannabis companies is to shore up investor interest with outlandish promises. **Aphria** (TSX:APHA)(NYSE:APHA) is the latest to make such pronouncement. But are investors ready to take the company's target of \$1 billion sales seriously? No one wants to see their money go up in smoke anymore.

Last year was a horrific year for Aphria. A short-seller fiasco forced the CEO to head for the exit door. Then a hostile takeover bid pushed the stock higher, only to drop when the offer was rejected. Aphria lost nearly 50% of its market capitalization because of the traumatic events that took place.

Providentially, normalcy is returning. Aphria has recovered and is turning out positive financial and operational performances. The stock is up +66.24% year to date with the market cap touching \$3.267 billion.

### Bold prediction

Irwin Simon, the founder of organic food company Hain Celestial Group, has assumed the CEO post. The order of the day is to focus on the core operational activities to [enhance production capabilities](#). Right now, the operations in Canada are running only at 18% of the total potential capacity. Hence, the growth potential is crystal clear.

Aphria is awaiting licences and completion of construction projects in the pipeline. As such, management's mid-term plan is to hit \$209 million in revenue in FY 2019, then increase it by almost 400% to \$1 billion by the end of FY 2020. The self-imposed time frame for the astronomical upside is 24 months.

The company is scheduled to hold a conference call and present the fiscal third-quarter results (ended February 28, 2019) on April 15. Hopefully, more details on how the company would achieve the fantastic sales target will be divulged, too.

## Competitive advantages

The new CEO would like to stress that the present conditions are all favourable to Aphria. This could enliven investors while restoring their confidence. With an annualized production capacity on the verge of reaching 255,000 kilograms by year-end, the company is the third-largest cannabis producer in Canada.

The Aphria One and Aphria Diamond facilities will combine to yield a peak annual output of 110,000 and 140,000 kilograms, respectively. The Ontario-based firm is also the acknowledged expert in utilizing greenhouses and optimizing the use of sunlight as the main energy source to grow high-quality and pharmaceutical-grade cannabis.

Aphria is overly optimistic about the massive profit opportunities in Canada alone. Because of the company's efficiency to reduce overall production costs, margins will be better than competitors'. Next on the immediate business agenda is to penetrate the U.S. and European markets.

The opening salvo in Europe is the launching of the first CBD-based nutraceutical product in Germany, Aphria's subsidiaries Aphria Deutschland GmbH and CC Pharma are the manufacturer and distributor.

## Leave room for doubt

Even if Aphria appears to have all the components to scale for the long term, room for doubt exists. While investors are pumped up by the bold prediction, [cannabis companies](#) need to show strong fundamentals. At least for Aphria, you have a lead time of 24 months to decide.

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