



## Should You Buy Aphria Inc. (TSX:APHA) Stock Ahead of Earnings?

### Description

**Aphria** (TSX:APHA)(NYSE:APHA) is a heavyweight cannabis producer based in Ontario. Shares of Aphria fell 1.04% on April 8. The stock has climbed 69% in 2019 so far.

Aphria stock surged above the \$14 mark in early February on the back of significant internal shifts in the company and a broad move up for the cannabis sector. Back in early February, I'd warned prospective buyers that they would be [paying a premium for Aphria](#) at that time. Shares quickly retreated in mid-February and have since been on a flat trajectory.

The cannabis sector showed signs of overvaluation in early February, and many top stocks are [still pricey today](#). Aphria is a unique case. Shares are trading at the middle of its 52-week range. The stock plunged to 52-week lows of \$4.76 in early December 2018 after the release of a damaging short report.

Aphria is set to release its fiscal 2019 third-quarter results before the market opens on April 15. A glance at its RSI, which stood at 54 as of close on April 8, tells us that Aphria stock sits in neutral territory as far as pricing is concerned right now. There is good reason to believe the stock has room to run as we await its third-quarter report. Let's examine why.

The company reported 63% net revenue growth in Q2 fiscal 2019 and posted an adjusted profit of \$10.2 million. Aphria stated that its annualized harvest is expected to increase to 255,000 kilograms by the end of this calendar year. This puts it in elite company among the top cannabis producers in Canada.

New Aphria chairman Irwin Simon aims to achieve margins of at least 40% by the end of this fiscal year. As with other producers, this increase in revenue relies on a ramp up of Aphria's production. As of late March, Aphria was only running at about 18% capacity. Aphria's board of directors unanimously rejected a hostile takeover bid from **Green Growth**, which slapped on a value per share of \$7.40. This represents a discount of approximately 50%.

Unlike other top producers, like **Canopy Growth** and **Cronos Group**, Aphria has not yet secured a large partnership with a third party. Simon has said that the company feels no pressure to do so and is focused more on getting its "plan in place." The company has made more strides in its international

push since its previous earnings release.

In early April, Aphria was awarded provisional approval in Germany for a cannabis cultivation licence. Pending the competition of the Standstill, which is subject to a mandatory 10-day period for public contracts, Aphria could be well positioned to entrench itself as a supplier in Germany. The most populous European country has seen booming demand since the Cannabis as Medicines Act in March 2017.

Investors need to be cautious in this hot market, but at the same time it does not hurt to be aggressive in the near term. Aphria impressed in its Q2 fiscal 2019 report, and if it can do it again in Q3, its stock is poised for a nice run-up later this month.

## CATEGORY

1. Cannabis Stocks
2. Investing

## POST TAG

1. Cannabis

## PARTNER-FEEDS

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

## Category

1. Cannabis Stocks
2. Investing

## Tags

1. Cannabis

## Date

2025/07/17

## Date Created

2019/04/09

## Author

aocallaghan

default watermark

default watermark