



## Here's Why Aphria (TSX:APHA) Stock Still Belongs on a Growth Investor's Wishlist

### Description

The marijuana stock playing field is uneven and constantly shifting, making the hunt for upside a full-time job in itself. For the casual mid- to long-term investor, selecting cannabis stocks on the TSX index for their momentum can be no mean feat, with some investors simply choosing to follow the herd. Let's see whether investors in one big green ticker should stay invested.

### Aphria (TSX:APHA)(NYSE:APHA)

Down 21.63% in the last five days at the time of writing, [Aphria's](#) stock is tanking hard, though it's still overvalued at more than twice its future cash flow value. Not that the untrained eye would know at a glance, however: its P/B of 1.7 times book wouldn't alert the casual value investor that anything might be amiss.

Before we get around to the two main reasons why Aphria is still a growth stock to watch, let's look at three tickers from different industries, all of which are expecting high growth over the next one to three years, and see how they compare.

### Shopify ([TSX:SHOP](#))([NYSE:SHOP](#))

Up 5.23% in the last five days, this [tech stock](#) is sometimes talked up as a proxy for the legal weed boom. With one-year returns of 78.4%, this tech stand-in for those volatile pot stocks can reward shareholders, though with a P/B of 11.4 times book, it may be the wrong time to buy in. However, carrying no debt, you can't get a cleaner balance sheet than Shopify's, so the risk is mitigated somewhat.

This overvaluation is something of a surprise if you've been paying attention to the inside buying data: Shopify insiders have only sold shares in the past three months, and the last 12 months have seen a considerable volume of shares getting dropped by those in the know. Still, with a 24.3% expected

annual growth in earnings, there's still upside to be had.

## Barrick Gold ([TSX:ABX](#))(NYSE:ABX)

Down 2.7% in the last five days, this TSX index gold stock favourite is selling at just over twice its book value and looking forward to a 68.6% expected annual growth in earnings. Barrick Gold's past-year returns beat the market at 11.5%, while the last nine months has seen significant inside buying of shares. With a dividend yield of 1.17% on offer, it's a frontrunning Canadian growth stock.

## Netflix ([NASDAQ:NFLX](#))

Moving to the NASDAQ for some perspective, U.S. tech growth stock Netflix sets a high bar: with three-year returns of 281% matched with a 30.5% expected annual growth in earnings, this is what high performance should look like. A five-year average past earnings growth of 46% and past-year ROE of 23% rounds out the kinds of stats that Aphria should be looking to boast in the future.

What not to look for: Canadian cannabis stocks would do well to avoid the less-attractive aspects of your standard growth stock. Case in point: Netflix's level of debt compared to net worth has increased over the past five years to almost 200%; operating cash flow is negative, therefore debt is not well covered. It's also highly overvalued, with a P/E of 129.2 times earnings and P/B of 30 times book

## The bottom line

There are two very good reasons to buy and hold Aphria for the foreseeable future. The first is that it is a low-risk option on the Canadian marijuana space, with a clean balance sheet typified by a low debt level of 4.5% of net worth. The second is that it is expecting a high 114.2% annual growth in earnings over the next one to three years. The short answer is that Aphria, along with Barrick Gold and Shopify, is a TSX index growth stock to hold on to.

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### POST TAG

1. Cannabis
2. Editor's Choice

### TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. NYSE:B (Barrick Mining)

3. NYSE:SHOP (Shopify Inc.)
4. TSX:ABX (Barrick Mining)
5. TSX:SHOP (Shopify Inc.)

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