



Why Aphria Inc (TSX:APHA) Could Double in Price!

Description

Aphria Inc (TSX:APHA)(NYSE:APHA) closed at under \$10 on Monday as the stock has dropped 20% since the release of its earnings a few weeks earlier. The stock has sent its shareholders on a bit of a roller coaster over the past 12 months, with the share price reaching as high as \$22 and then falling to below \$5.

It's easy to find reasons to be negative about Aphria given all the negative press it has faced, which has helped drive the stock down in price. However, opportunistic investors will undoubtedly see a lot of potential to own the stock, as it has a lot more room to rise than some of the bigger cannabis companies in the industry, and I wouldn't be surprised if it were to double and get close to the highs it reached last year.

The company had a dreadful earnings

Aphria recorded a big \$108 million loss in its latest [quarterly results](#). They were awful, no question about it. However, if we don't go lower than the operating income, which to me is ultimately what really matters if we're looking at a company's day-to-day operations and whether it's successful or not, then the results aren't nearly as bad. The operating loss of \$30 million that the company recorded is still high, but it's a much more modest increase given that in the previous quarter the operating loss was \$20 million.

For the amount of sales growth that Aphria achieved, investors are a bit more understanding given the rapid growth that the industry is currently experiencing. Write-downs and other non-operating items are important to consider, but they are also non-recurring and not items we'd expect to see on the company's financials in future quarters.

I look at the company's latest results, as it's shedding much of the bad press that has stayed with the company. Questions about its assets being overvalued and even the [leadership](#), which is undergoing change, are some of the things that are non-factors going forward. We recently also learned that the takeover bid from **Green Growth Brands** has expired and is now in Aphria's rearview mirror once and for all.

With all that now out of the way, there's an opportunity for Aphria to rise from the ashes and make a real recovery in its share price.

Cheap buy compared to its peers

At a market cap of around \$2.5 billion, Aphria is a small fraction of what some of the bigger cannabis companies on the TSX are currently valued at. A big reason for that is that due to the bad press the company's seen over the past year, the stock trades at more modest multiples than its peers. With a price-to-sales multiple of 20, it's nowhere near the three-digit-multiples that some of the bigger names trade at.

While I'm certainly not advocating for higher multiples or saying that they are good buys at those levels, there's clearly a willingness from cannabis investors to pay 50 times, even 100 times sales. Should those trends continue, Aphria could be in prime position to take advantage, especially as its sales continue to grow.

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

2025/07/05

Date Created

2019/05/01

Author

djagielski

default watermark

default watermark