



Short Sellers Beware: This Marijuana Stock Is Flying High

Description

The much-maligned **Aphria Inc.** (TSX:APHA)(NYSE:APHA) is notably beating the odds of late. This \$2.3 billion producer and seller of medical cannabis almost got delisted from the **TSX** two years ago on allegations of non-compliance to listing requirements. Short selling issues also hounded the Leamington-based firm.

However, the dust has settled and Aphria remains on the big board, both in Canada and the U.S. Now that the turbulence is over, the excitement is back. Investors are taking Aphria more seriously this time. The growth potential is there given the positive developments happening in the present.

Spectacular revenue growth

It's hard to alienate Aphria from the industry peers if you look into the company's financial metrics. The year-on-year revenue growth of +617% is spectacular by any measure. Still, investors were generally disappointed. Were it not for the contribution of recently acquired CC Pharma, Aphria would be in quicksand.

But how can you quickly dismiss the third-largest grower in Canada moving forward? With a projected peak annual output of 115,000 kilos this year and 255,000 kilos in the years thereafter, Aphria is a force to reckon with in the cannabis space.

APHA is not underperforming, as the stock is doing better than expected. The current price of \$9.34% represents a +19.0% jump from the 2018 year-end closing price. Aphria is taking it one step at a time to achieve long-term goals, which will be reflected in the stock performance once the company gets going again.

Aiming for global leadership

Management's decision temper its beast mode will be good in the long run. And more laws favouring the use of marijuana for medical purposes are forthcoming. Essentially, the company is not late in the

green rush. There's no reason to doubt that Aphria remains [a rare value play](#).

Like the industry giants, Aphria is aiming for global leadership in the cannabis spectrum. The order of the day is to capitalize on its licensed distribution network in Canada. They also own rights to sell in the U.S., Africa, Europe, and South America.

If the company can prove its mettle and deliver results in the near-term, a strong partner will come knocking. Aphria needs to build a strong partnership so it can penetrate the international markets. In the meantime, the company can continue cementing its foothold in medical marijuana and cannabis oil while waiting.

Gigantic upside potential

Aphria has a competitive advantage because it owns two automated and highly sophisticated cultivation facilities: Aphria One and Aphria Diamond. Cannabis investors would like to see Aphria efficiently ramp up production to achieve the desired economies of scale.

The turning point will come this summer. Aphria's [ambitious sales target](#) of US\$500 million by year-end and subsequent US\$1 billion by year-end 2020 might not be a hallucination after all.

Short-sellers should stay on the sidelines and keep a close watch. The company is back on track: massive revenue growth and hopefully the elusive profits are just around the corner.

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