



Is Aphria (TSX:APHA) Still a Top Cannabis Stock?

Description

As the old adage goes, there is no such thing as bad publicity. However, I am sure many of **Aphria's** (TSX:APHA)(NYSE:APHA) top executives would beg to differ. The marijuana firm has been rocked by a string of bad news that has significantly impacted its share price (and not in a positive way) and has led to its CEO and its founder to leave their respective roles within the company.

Still, perhaps these events have raised Aphria's name recognition. It may be better to be infamous than unknown in this business. But after going through such hard times, can the Ontario-based pot grower turn things around?

Aphria's standing in the Canadian market

There are now hundreds of companies with licences to operate within the marijuana sector in Canada. Naturally, since recreational uses of pot were legalized, sales have gone through the roof. Aphria is currently one of the leaders in terms of sales and revenues in the Canadian pot market, but its overall financial results have been less than impressive. The firm's [latest](#) earnings were particularly disappointing.

Though revenues rose to \$73.6 million (a 617% year-over-year increase), this was largely as a result of international acquisitions. Aphria's organic sales totaled a relatively average \$17 million. More importantly, though, Aphria's recreational sales decreased by about 35% quarter over quarter (even though the previous quarter included just one month of recreational sales after they were legalized), and medical sales declined by about 2% from the previous quarter. In short, Aphria seems to be losing ground in its domestic market.

Further, Aphria has some of the lowest margins among the top Canadian cannabis sellers. The firm's gross margin was around 18% during its latest reported quarter. Finally, Aphria incurred a major net loss due to a one-time impairment expense related to its infamous LATAM transactions. As you will recall, the firm was accused of paying too much for the acquisition of various assets in South America. This \$58 million impairment charge was hopefully the final chapter of that saga.

Aphria's international operations

Aphria is making a play to establish itself as a leader in the international medical market. Note that unlike the recreational market, medical uses of marijuana have been legal in multiple countries for a while. Aphria recently earned a few wins in Germany, arguably the largest market outside Canada.

The firm's subsidiary — Aphria Dutchland — earned a fifth lot for the cultivation of medical cannabis in Germany. With this, Aphria became the only cannabis company allowed to cultivate all three strains of the herb approved by the German Federal Institutionalization for Drugs and Medical Devices.

Further, Aphria recently introduced CannRekief, a CBD-based cosmetic product line, which will be distributed by CC Pharma, another German-based subsidiary of Aphria. CC Pharma has access to more than 13,000 pharmacies in the region.

Should you buy?

Aphria is still recovering from its recent wave of drama, which had an impact on its share price and its bottom line. The firm's domestic operations especially have been underwhelmed. However, the pot grower is making an effort to set up strong international operations in the medical market. While Aphria will likely climb out of the hole it essentially dug for itself, there are probably better options for those looking to invest in marijuana stocks.

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