Is Now a Good Time to Buy Aphria (TSX:APHA)?

Description

Two of the most important qualities to succeed in the stock market are patience and good timing. Patience is important to help investors through tough times, and good timing is essential for investors to know when to pull the trigger on a purchase or a sale.

Those who have invested in **Aphria Inc** (TSX:APHA)(NYSE:APHA) — and stuck with it through the drama it has experienced over the past nine months — have certainly shown a great deal of patience. However, for those investors on the outside looking in, is now a good time to pull the trigger?

Aphria's standing in the Canadian market

Aphria is without a doubt one of the biggest players in the Canadian pot market. The company has supply agreements with all the provinces and the Yukon Territories. Aphria's latest earnings report showed significant growth, at least as far as its top line is concerned.

The pot firm's $73,582,000 net revenue was a whopping 617% year over year increase. Perhaps more important, it was a 240% increase quarter over quarter — a net revenue that put Aphria squarely among the top selling pot companies in Canada. But just how impressive was this performance?

Note that this sequential growth in its net revenue happened despite the firm's kilograms of cannabis sold decreasing by 23%. The company's medical cannabis revenue increased by 64.5% year over year, but decreased slightly from the previous quarter due to a decrease in the amount of kilograms sold that was partially offset by an increase in its retail selling price for medical cannabis related products to $8.03 per gram (up from $7.53 per gram).

Similarly, Aphria's recreational segment's revenue also decreased compared to the previous quarter, as did its average retail price for this segment (down to $5.14 from $6.32).

The main factor responsible for Aphria recording such an increase in its net revenue was its acquisitions. The firm recorded a net distribution revenue of about $60 million on account of revenues from acquisitions it made during the quarter, among which that of Germany-based **CC Pharma**
. In short, Aphria's organic growth was mediocre at best.

Of course, there is nothing wrong with achieving a higher standing in its industry by way of acquisitions, but the firm's organic growth — or lack thereof — was a bit of a letdown. Further, the firm's gross profit margin was relatively subpar, coming in at about 23.5%. Finally, the company recorded a net loss of $108,209, or $0.43 per share.

While some of the firm's net loss was as a result of a one-time impairment charge, Aphria's earnings were overall fairly disappointing.

Aphria's International operations

Aphria possesses solid footprints in much of the rest of the world. The firm's reach extends to South America, Europe, and even South Africa. In particular, Aphria's presence in Germany is noteworthy. Germany is arguably the largest cannabis market outside of North America.

The aforementioned acquisition of CC Pharma definitely strengthened Aphria's operations in the country. CC Pharma distributes pharmaceutical products, including medical cannabis, to more than 13,000 pharmacies in Germany, as well as throughout Europe.

In April, the pot company's German subsidiary, **Aphria Deutschland GmbH** was selected by the relevant German authorities to receive a license for the domestic cultivation of medical cannabis. Thus, Aphria was awarded five of the 13 spots available for grabs, each with a minimum annual capacity of 200 kilograms.

Aphria's acquisitions in Latin America could also play a critical role in the company's future. With licences in Colombia, Argentina and Jamaica through its subsidiaries in the region, as well as the possibility of adding Brazil to that list (provided the relevant entity obtains a medical cannabis cultivation, processing and distribution licence in Brazil), the Ontario-based looks well positioned to profit from the growth in that region.

Should you buy?

Aphria definitely does have a lot of upside. However, the lack of organic growth during the last quarter was disappointing, although it was more than offset by distribution revenue generated through acquisitions.

Aphria now has solid footprints in some of the fastest-growing markets worldwide, and due to its share price being dragged down by various factors, the firm's valuation is relatively attractive by industry's standards. All things considered, there are definitely good reasons to strongly consider buying shares of Aphria.

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