3 Reasons Aphria (TSX:APHA) Stock Rose 2.4% Last Week

Description

Aphria (TSX:APHA)(NYSE:APHA) had a solid week last week, rising 2.4% while the TSX fell 0.1%. Although 2.4% is not a phenomenal gain, it handily beats the benchmark for the same period, showing that investors had positive sentiment toward Aphria shares in the week past. Aphria also edged out the marijuana sector as a whole: from Monday to Friday of last week, **Horizons Medical Marijuana Life Sciences ETF**, which tracks the whole industry, rose just 0.47% to Aphria's 2.4%.

Such outperformance is surprising for a stock that many considered to be down and out not long ago. Late last year, Aphria shares tanked after a short-seller report accused the company of making nearly worthless acquisitions. Afterward, a major management shakeup added fuel to the fire, along with a hostile takeover bid that Aphria management fought hard to oppose. Now, with these headwinds out of the way, Aphria appears to be staging a minor comeback. The following are three reasons why.

Acquisitions paying off

Last year, acquisitions were the major focus of almost all discussion pertaining to Aphria. After short-sellers accused the company of paying huge sums for virtually nothing, the company's shares tanked, and investors had all but written off Canada's third-largest marijuana producer.

This year, however, that narrative has been challenged by the fact that at least two of Aphria's acquisitions have been paying off. In its most recent quarter, the company grew its revenue by over 600% — not primarily by selling more weed, but thanks to distribution revenue from its subsidiaries ABP and CC Pharma. These results show that Aphria's acquisitions are actually helping to increase its sales, which counters the claim that the company had been paying money for nothing.

Analysts bullish

Another point in Aphria's favour is the fact that analysts appear to be bullish on the stock. Of the nine brokerages that cover Aphria, five have rated it a buy, while four have rated it a hold. This is a major improvement from last year, when most analysts rated the stock a sell. The consensus target price for

Aphria shares is about $14.75, nearly twice the stock’s current price.

Among the cheapest weed stocks

A final possible reason that some investors are bullish on Aphria is the stock’s price. With a price-to-sales ratio of 16.98 and a price-to-book ratio of 1.22 as of this writing, it’s easily the cheapest of the larger marijuana stocks. Although not cheap compared to the TSX average, it’s a veritable bargain compared its peers, and with a forward P/E of about 90, it’s not too pricey relative to growth.

Of course, it should be mentioned that forward P/E ratios are based on projections, not solid figures, so they’re not the most reliable metrics in the world. However, just going off of price-to-sales and price-to-book, Aphria is among the cheapest stocks in its sector, which may explain why it gained some momentum last week, as the more expensive weed stocks cratered.

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