



Aphria (TSX:APHA) Soars 35%: Should You Buy This Marijuana Stock Today?

Description

Cannabis investors finally received some good news after weeks of downward pressure sent many of Canada's top [marijuana stocks](#) towards 2019 lows.

What happened?

Aphria (TSX:APHA)(NYSE:APHA) became the first major pot producer to report a quarterly profit. The results surprise analysts and attracted a flood of money into the stock, sending the beleaguered marijuana company from \$6.90 to above \$9.40 per share. Short covering likely provided additional support.

Aphria delivered a revenue gain of 85% compared to the previous quarter. The company sold 5,574 kg of cannabis for revenue of \$28.6 million compared to 2,636 kg for revenue of \$15.4 million in the previous three months.

Production at the company's 700,000-square-foot Aphria One site is at full capacity, and the company is moving through the process of getting its adjacent 1.2 million square foot Aphria Diamond facility licensed by Health Canada. Once the additional capacity is online, revenue and profits should continue to improve.

One point to note is that \$50 million received from an American company, **Green Growth Brands**, as part of a settlement in the wake of a failed takeover bid was added in the quarter and contributed to the earnings report. Aphria says an additional \$39 million is anticipated in October.

Back on track

Aphria took a big hit late last year when it became the target of a short-seller report that claimed Aphria had overpaid for assets it purchased in Latin America, benefitting people connected to the company.

Aphria's senior management team initially said the claims were without merit. However, the company founders and the CEO left the firm in January. An investigation by the Ontario Securities Commission

led to Aphria being forced to take a \$50 million impairment charge on the assets in question.

The stock traded above \$21 per share last September and bottomed out around \$5 after the short-seller report came out last December. A rebound took it back to \$14 in February, but Aphria had drifted consistently lower until the August 2nd bounce.

Should you buy Aphria?

The improvement in sales is a positive sign, and it appears the new management team the board brought in to rebuild the company's credibility is making good progress. With the new production facility expected to get licensed in the near term, sales and revenue growth should continue into 2020.

I would probably wait for a few days to see if Aphria gives back some of the big gains, but [contrarian investors](#) who are positive on the sector might want to start nibbling on the stock once the euphoria settles.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis
2. Editor's Choice

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis
2. Editor's Choice

Date

2025/07/01

Date Created

2019/08/05

Author

aswalker

default watermark

default watermark