



## 3 Ways Aphria (TSX:APHA) Can Overtake Aurora Cannabis (TSX:ACB)

### Description

**Canopy Growth** and **Aurora Cannabis** ([TSX:ACB](#)) are two major players in the weed industry with a market cap of \$23 billion and \$12 billion, respectively. The companies have retained those positions for several months, despite uncertainty in the sector.

After Canopy Growth and Aurora Cannabis, **Aphria** (TSX:APHA) comes in lower with a modest \$2 billion valuation. While Aphria might not have the kind of pull to overtake Canopy Growth for the top spot in the near future, a turn of events might present the company with the opportunity to overtake Aurora Cannabis for second position.

### Ways that Aphria can catch up to Aurora

While summer has arrived, the sun has not been shining on the weed industry giants particularly well this year. With the sector shaken up right now, the likes of Canopy and Aurora are feeling the negative effects of it. Profits have seen a decline in the sales numbers of legal marijuana since the legalization of marijuana in Canada in October 2018.

Aphria is firmly [on a comeback trail](#) under the wing of its interim CEO. The third-largest cultivator of cannabis in Canada surprised the stock exchange by posting a significant boost in sales during the fourth quarter of 2019. While the company posted a modest profit of \$15.8 million during this three-month period, it was a massive improvement from its quarterly loss of \$108.2 million in the previous quarter.

### 1) Aphria must capitalize on its valuation

As compared to Aurora, one of the biggest advantages that Aphria has is that its shares seem like a good bargain. The Latin American asset scandal and the subsequent management turnover for Aphria late in 2018 left the company's stocks beaten down. However, Aphria is poised to claw its way back to a more respectable position ever since its marijuana sales have doubled. I believe Aphria needs to capitalize on its lower rates to take advantage and sustain it in order to beat Aurora.

## 2) Increase focus on international expansion

The Canadian adult-use recreational marijuana market is headed for a serious supply glut in 2020. Aphria has built one of the widest commercial footprints outside of Canada since its [approval for expansion](#). The company was recently granted the maximum amount of lots during the German tender process and allowed to grow all three strains of medical marijuana permitted in Germany. Aphria needs to ramp up its efforts to catch up with the potentially sharp increase in demand.

## 3) Establish a strong partner

One of the primary issues for marijuana companies is access to non-dilutive sources of capital. Aphria has yet to sign a major deal to resolve this issue. While it might not have substantial cash flow like Canopy Growth, it has a decent bankroll to fund its expansion process.

It needs to put a good chunk of this capital to use by striking a deal with a big-name dispensary, such as **MedMen Enterprises** or **Charlotte's Web Holdings** in order to bring itself up to a level where it can possibly overtake Aurora.

## A bright future

Aphria stock seems quite promising. With a stabilized management, a sharper corporate focus and higher levels of professionalism, I believe Aphria can take advantage of the sudden surge in sales and outperform the equities of Aurora.

### CATEGORY

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2. Investing

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