



Should You Buy Aphria (TSX:APHA) on the Dip?

Description

August was looking like it would be a very good month for **Aphria** (TSX:APHA)(NYSE:APHA) after the stock [soared](#) on a good earnings report. However, since then, the stock has faltered, and it has dropped in value along with other cannabis stocks.

On Monday, Aphria's stock closed at \$8.45 — a big fall from the high of more than \$10 a share that it reached earlier in the month. For investors, it could be a good opportunity to get back in at a lower price. After all, nothing has changed from the start of the month to the end that has drastically made Aphria a worse investment.

Valuation still looks decent

Aphria is not as overpriced as some of its peers, and with the decline in value, it might be a less risky investment overall. At around 1.2 times book value and nine times its sales, those are some modest multiples in an industry that's been dominated by astronomical valuations.

One of the reasons for that, however, is that the stock has just not seen the same excitement that a stock like **Canopy Growth** has. Aphria has, unfortunately, provided investors with [less-than-impressive returns](#), and that's why it hasn't had to come down a lot in price to be an appealing value today.

Why it's a great opportunity to buy the stock

The company's latest earnings report helped to re-establish Aphria as one of the top stocks in the industry. With strong sales growth and a profitable bottom line, it has attracted the attention of investors in a way that we haven't seen in a while.

When also taking into consideration that recent struggles that Canopy Growth has faced, there could be a real opportunity for Aphria to move up the totem pole. While it would take a lot for investors to ditch Canopy Growth and buy Aphria instead, there's going to be more of an appetite for that than there may have been in the past. Especially with poor earnings and a whole lot of uncertainty weighing

Canopy Growth down as of late.

Pot stocks normally move together, as the general outlook for the industry can play a big role in whether stocks like Aphria or Canopy Growth rise in value. Even if the companies are doing well, if investors are concerned about the outlook for marijuana, it may not matter. Currently, we're in a down cycle, but once things pick up again, perhaps as edibles get closer to launching, we could see another wave, which could send Aphria stock back up over \$10.

Bottom line

Even though Aphria stock rallied earlier in the month, its share price has still taken a beating this year, as it's down around 36% year to date. However, with the strong earnings and the stock generally seeing strong support at around \$8 a share, it could prove to be a safe bet at its current price. While there's always a risk that it could go lower, it seems unlikely to do so given the positivity around the stock today.

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