



Can this Little-Known Pot Stock Compete with Aphria (TSX:APHA)?

Description

The last few months have been crucial in determining which cannabis stocks will be able to compete over the long term and which ones will fail. **Aphria** (TSX:APHA)(NYSE:APHA) is a new pot-stock favourite among marijuana investors. At less than \$7 per share, the stock has been wow-ing investors with competitive earnings and sales growth.

Meanwhile, on the **Toronto Venture Exchange**, more cannabis companies are emerging as slower movers in the race to marijuana millions. One of these little-known companies is **Emerald Health Therapeutics** (TSXV:EMH), which did very well throughout August with a stock price appreciation of nearly 50%.

Although Emerald may be getting a greater share of attention from stock investors on the TSX Venture, it is unlikely that it can compete with Aphria. Moreover, [speculative trading](#) may have overpriced the stock at \$1.62. Here's why.

Emerald Health Therapeutics

Emerald owns 50% of Pure Sunfarms in a joint venture with **Village Farms**. Pure Sunfarms is a large cannabis production facility in Delta, B.C., with close to 1.1 million square feet of licensed space.

The joint enterprise with VFF seems to be especially beneficial for Emerald as it can hopefully rise along with its more profitable peer. VFF has already reported positive net income, along with several other pot stocks, while Emerald lags with a reported \$30 million in net income loss for 2018. VFF is on track to post positive net income for 2019, with its most recent quarter bringing in nearly \$10 million.

Overall, Emerald seems to have an excellent chance to catch up in the marijuana race through its partnership with Village Farms. Nevertheless, the stock remains a risky bet, even at less than \$2 per share.

Aphria

Aphria has already reported profitable operations, and they are certainly very hip. Marigold Projects, Aphria's 49%-owned subsidiary, opened a fresh new retail shop with an on-site smoking lounge on its five acre marijuana farm in August 2019. Marigold situated the smoking lounge across the street from a museum dedicated to the late reggae musician Peter Tosh.

Not only does Aphria have the creativity to brand its businesses properly, but the corporation is also extremely cost-conscious. Its cost of goods sold per gram came in at an industry low of \$2.35. Along with sales growth, cost of goods sold remains the number one statistic to look for when choosing between marijuana stocks.

Reducing the cost of goods sold is crucial for expensive Canadian cultivation plus retail operations. Given the climate in Canada and restrictive import-export regulations on [recreational cannabis](#), the industry is motivated to compete on production efficiency. In addition, e-commerce platforms are quickly giving low-margin retail a run for its money.

Foolish takeaway

It is hard to tell where a small player like Emerald will go. For the time being, Emerald poses little to no competition against a more secure player like Aphria. But, you never know, Emerald might surprise shareholders in the next few years.

Certainly, Emerald stock is a hard sell to even long-term investors until it announces more positive earnings. In five years, either through bankruptcy or delisting, many cannabis stocks like Emerald will fall off the exchange. Long-term investors want to know that the stocks they invest in today will be successful in five years.

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Date

2025/08/14

Date Created

2019/09/23

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