



Aphria (TSX:APHA) Stock Drops 50%, Making it a Bargain Buy

Description

A significant cannabis company finally did the impossible. **Aphria** (TSX:APHA)(NYSE:APHA) reported a \$16.4 million net income in its second quarter to make it two consecutive quarters of profitable growth. In an instant, the stock rose by 15.45% to \$7.17.

The top line grew by 849% in the quarter ended August 31, 2019, versus the same period last year. According to Irwin Simon, Aphria's interim CEO, the solid start in 2019 is a sign the company stands a chance to achieve its fiscal year 2020 financial outlook.

Simon also reiterated that Aphria remains focused on the highest-return priorities in the Canadian and international markets. The company is developing its medical and adult-use cannabis brands, which management expects to drive growth moving forward.

The only bright spot

The situation in the cannabis industry remains fluid. The instability comes from the [failure of cannabis producers](#) to declare profits. Aphria is the only bright spot thus far. Is this the start of the company's transformation and a new growth story in the cannabis space?

If you compare [the fundamentals](#), Aphria is leading the way, besting Aurora Cannabis, Canopy Growth, and Cronos in that particular order. If not for its subsidiary CC Pharma, Aphria would still be in the pit. The German subsidiary is mainly responsible for Aphria's latest achievement.

No cash crunch

At present, Aphria is in fourth place in terms of market cap and trailing 12-month price-to-sales ratio compared with the three names earlier mentioned.

Furthermore, Aphria was able to finish the most recent fiscal quarter with a \$464.3 million in its treasure chest consisting of cash, cash equivalents, and liquid marketable securities. With sizable

money available, Aphria can pursue its expansion plans in Canada and abroad.

Aphria lacks brand recognition, and the company knows that must improve on that. Thus, the acquisition of premium cannabis brand Broken Coast has to happen. The latter boasts of a small but dedicated client base.

With a flagship brand in the bag, Aphria would have a definite competitive advantage in the coming years. Broken Coast is the missing piece for Aphria to gain market prominence.

Aphria's revenue could further rise over the next few years if the high-margin derivative products deliver blockbuster sales. The foothold in German should also translate into more profits. In the meantime, there's room for growth as the industry moves into a mature stage.

Paper profits

Unfortunately, the praise for Aphria was fleeting. Towards the end of the week, the price kept sliding and eventually finished 13% lower to \$6.24. It appears the reported profits were mostly paper gains. The stock is well below 50% from earlier this year, where it recorded prices above \$14.

Let us hope that the financial prowess Aphria is exhibiting is for real and not an illusion. Otherwise, the company will be back to square one, and investors will lose interest in the cannabis industry.

Despite the impressive results, analysts are not giving Aphria the thumbs up. Some are even reducing the target price. The overall negative industry outlook is causing apprehension among investors. Cannabis companies, including Aphria, need to produce tangible profits soon — or else.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/07/01

Date Created

2019/10/24

Author

cliew

default watermark

default watermark