



Marijuana Stock Collapse: Why Aphria (TSX:APHA) Stock Has the Best Chance of Survival

Description

Marijuana stocks have been out of the limelight for months now following the beating of the once praised cannabis companies. It was shock and disbelief for investors who lost huge sums of money from the [sector-wide collapse](#).

Regaining investors' interest, if ever, might take time. But if you were to assess the current situation, there's one marijuana stock that bears watching. Among all, it seems that **Aphria** (TSX:APHA)(NYSE:APHA) has the best chance of surviving the carnage and delivering incredible gains.

Coloured reputation

Aphria was one of the cannabis producers that market analysts thought would make a big splash in 2019. From \$8.15 at the start of the year, the stock rose by 74.35% to \$14.21 in early February. The momentum was not sustained as price movements became erratic.

If you will recall, the company almost lost shareholder trust and confidence following claims it overpaid for assets acquired in Latin America. Aphria was able to prevent what could have been a massive stock sell-off.

A botched hostile takeover bid by Green Growth Brands and the resignation of a senior executive this year also affected the stock price. Fortunately, some good news was able to replace Aphria's misfortunes.

After sinking further to \$6.90 on August 1, Aphria was able to redeem its tainted image by reporting an industry-best 417% trailing-12-month revenue growth and a 158% quarter-over-quarter sales growth in Q4 fiscal 2019. The stock instantly jumped to 40.14% to \$9.67 during the next trading session.

Finally, a major cannabis company was presenting a profitable quarter! The elation, however, did not

last long. All the pot stocks were under pressure as the cannabis sector was becoming super volatile.

Back-to-back quarterly profits

The Leamington, Ontario-based pot producer reported an 849% increase in net revenue and \$16.2 net income in the first quarter of fiscal 2020 compared with the same period in 2018. It was a second consecutive quarter of profitable growth.

Irwin Simon, Aphria's interim CEO, partly attributes the company's success to international business and the strength and growth of its brands, particularly Broken Coast. Simon believes the solid start in 2020 is a good sign that the company is on track to achieve its fiscal year financial outlook.

Fearless forecast

Aphria is not letting up as it continues to widen its production footprint. It is waiting for Health Canada to expedite the issuance of a licence for Aphria Diamond, its second cannabis greenhouse facility in Leamington.

Aphria One, Broken Coast, and Aphria Diamond can combine to produce an annualized production capacity of 255,000 kilograms. With such production capacity, the company can put up \$650 million to \$700 million of sales in the fiscal 2020.

As of this writing, the market cap has shrunk to \$1.51 billion from \$2.28 billion in August while the stock is down 23.7% year to date. But you can say [the stock is selling at a bargain](#) vis-à-vis the revenue targets in fiscal year 2020.

Market analysts are even forecasting a high of \$26 in the next 12 months or a potential increase of 334% from \$5.99. Aphria looks like the best cannabis play but sadly, not a strong buy. The cannabis sector is no longer the most exciting, but it is the riskiest.

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