



What Will Drive Aphria (TSX:APHA) Sales Higher by 150% in Fiscal 2020?

Description

In this article, [we looked at why](#) **Aphria** (TSX:APHA)(NYSE:APHA) is one of the top cannabis stocks to buy for FY 2020. Its inventory balance is comparatively lower than peers. Aphria is also one of the few cannabis stocks to report an adjusted profit in the upcoming fiscal year. Further, analysts expect Aphria to increase sales by 149.2% to \$591 million in fiscal 2020 (year ending in May).

But what will drive sales higher for the company? Aphria consists primarily of Aphria One, Aphria Diamond, and Broken Coast Cannabis. Aphria One is the company's 1.1-million-square-foot greenhouse facility based out of Leamington.

Broken Coast is its wholly owned subsidiary acquired in February 2018. Broken Coast has an indoor cannabis production facility on Vancouver Island, provides Aphria with B.C. Bud, and is a leading cannabis brand in the premium segment.

Aphria Diamond is a 51%-majority-owned subsidiary in a joint venture with Double Diamond Farms. The company just received approval from Health Canada to operate its Aphria Diamond facility, which takes its total production space to 2.4 million square feet and annual production to 255,000 kg.

Focus on distribution

Aphria was one of the first licensed producers in Canada and has successfully been able to leverage the benefits of greenhouse cultivation and industrial-scale production to report a sustainable operating profit.

The company is now looking to create a robust distribution network to access the Canadian populace. Aphria has signed supply agreements with all provinces and the Yukon territory in Canada, giving it access to 99.8% of Canadians.

It signed an exclusive distribution agreement with Great North Distributors, which is a wholly owned subsidiary of Southern Glazer's Wine & Spirits. This will give Aphria access to the latter's sales force and channel expertise for product distribution across provinces.

Aphria also signed another agreement with We Grow BC, a Vancouver-based licensed producer of premium cannabis. Aphria will now be We Grow's exclusive sales representative across Canada.

Huge opportunity in the U.S.

Similar to other cannabis companies, Aphria is also eyeing the huge market south of the border. Cannabis consumption is illegal at the federal level in the U.S., forcing operators to create cultivation and distribution in each state they are interested to participate in.

This makes them open multiple facilities, driving down profit margins significantly. The House of Representatives in the U.S. passed a bill legalizing marijuana last week. Though the approval of the bill will take time, it provides significant opportunities for cannabis players, including Aphria.

Aphria is also targeting expansion in international markets where there is an existing or emerging federal legal cannabis market. The company is primarily focused on the medical marijuana space and has operations and/or partnerships in Australia, Columbia, Denmark, Argentina, Germany, Italy, Malta, Lesotho, Paraguay, and Jamaica.

Aphria continues to seek out opportunities and create long-term shareholder value. It can identify partnership and investment opportunities and leverage the knowledge and expertise gained in the domestic cannabis market.

Aphria expects the total global market to reach \$150 billion by 2025. It expects the medical marijuana market to reach \$100 billion while the adult-use cannabis market might rise to \$50 billion.

Aphria has a diversified product offering and is backed by solid marketing and research support. The stock is currently trading around 70% below record highs and might be a good opportunity for risk-oriented investors to consider it as part of their portfolios.

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