This 1 Marijuana Stock Has the Highest Chance to Recover in 2020

Description

The fun industry of recreational marijuana didn't have any fun in the stock market last year. The most influential players in the game were beaten to the ground. **Aurora Cannabis**, one of the largest marijuana companies, went down 59% in market value. Even **Canopy Growth**, the company with the most robust balance sheet, went down by 25%. But the dark cloud hovering over the green industry might finally be giving way to some sunshine.

The second phase of marijuana legalization, Cannabis 2.0, was completed late last year. It was supposed to turn things around for the whole marijuana industry. It didn't completely transform the weed landscape, but it has started the process. Market values of marijuana companies have finally begun to climb up; though it's hard to say whether or not the companies will see the former glory in 2020.

What can be said is that **Aphria** (TSX:APHA)(NYSE:APHA) has the best chance of recovery this year. Let's look at the reasons why.

This stock has fallen the least

In terms of market cap, Aphria, with a market cap of $1.71 billion, is the fourth-largest marijuana company in the country, behind Canopy Growth, Aurora, and **Cronos**. In 2019, Apria's stock fell by 13.6%, which is by far the least in the sector. In the last month, Aphria's 10% growth is second only to Canopy's — a company more than five times the size of Aphria.

This indicates that even when Aphria was being dragged down by the whole failing sector, it managed to stay a bit above the surface, and managed to keep more investor confidence than most of its peers.

Some good numbers

In terms of quarterly revenue growth, Aphria was heads and shoulders above other marijuana companies. Its 848% growth is easily four times that of the other three. Aphria also remained profitable in four out of its last five quarters.

Like the other four big marijuana companies, Aphria's EBITDA is also negative. But its negative $22.7 million is a relatively tiny number compared to others. The company is also the least-diluted company among the four, with 252 million shares outstanding. For a company of its magnitude, Aphria has relatively low debt, and the company's cash flows are almost equal to its debt.

Focus and diversification

Aphria has shifted its focus to medical-grade tetrahydrocannabinol, or THC. This product has been one of the core reasons for the company's profitable last quarters. The company is also looking to drive about 40% of its revenue from recreational marijuana products, like vapes, edibles, and beverages, going forward.

Aphria is set to become a market leader when it comes to production capacity, with project outputs reaching over a quarter-million kilograms per year.

When it comes to diversification, the company has most of its foreign stake in one major market: Germany. Aphria is building an 8,000 sq. metre facility for medical cannabis production.

Foolish takeaway

Things are looking much better for the cannabis industry in 2020. Most of the marijuana companies might take some time to regain the momentum, but the chances of Aphria moving ahead and leaving others in the dust are relatively high. So, if you want to start 2020 with a small green plant, you might want to check out Aphria's pot.

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