



Does Aphria (TSX:APHA) Stock Price Make It a Buy Right Now?

Description

At \$5.60 a share at writing, **Aphria** (TSX:APHA)(NYSE:APHA) is trading much closer to its 52-week low of \$4.95 than its high of \$14.21. As far as value is concerned, the top three pot producer reflects the average Canadian cannabis stock and is one of the few picks in this space still worth taking a punt on.

Indeed, down 10% last week, Aphria is a [market leader on the ropes](#). For a long position based on eventual capital gains from a stabilized legal cannabis market, therefore, Aphria is a contrarian play on value at the moment.

But will the market ever become as lucrative as pot stock bulls predicted pre-legalization, and if it does, will Aphria be able to command a wide enough moat to really clean up?

A play on value and growth potential

With investor sentiment teetering on full-blown bearishness, 2020 will be the year that makes or breaks Canadian pot stocks. In the last 12 months, Aphria has lost more than half its share price – though it's certainly not alone in suffering such enormous losses.

The legal Canadian cannabis market [cratered post-legalization](#) thanks in large part to a disjointed rollout that has seen the new sector straight-jacketed by a sub-optimal retail landscape, resilient black and grey markets, supply issues, legal challenges, and even struggles with legitimacy.

However, the contrarian perspective is that the Canadian cannabis sector is still a wonderland of value opportunities for investors bullish on another “green gold rush.”

It's important to remember that while sustained upward momentum has been lost, contrarians with an opportunistic value strategy still have a few potential blue-chip companies to choose from at the moment.

Looking at the **Horizons Marijuana Life Sciences Index ETF** – an index strongly correlated with the

legal pot industry – gives an indication of the average value of a cannabis stock right now.

Down 60% in 12 months, the Horizons index reflects how much the average Canadian pot stock has tanked — and the pain continues: The Horizons Index was down 6% over the weekend, while Aphria itself is down 11% in the last five days.

Looking beyond Aphria? **Canopy Growth** and **Flowr** are also fairly strong plays. Together with Aphria, they currently make up the top three best-ranking cannabis stocks in terms of output.

Flowr is far from a low volatility play, however: The TSXV-listed cannabis stock is down by more than 16% in the last five days at the time of writing, making for a low cost pick with growth potential.

On a side note, growth in the German cannabis market is impacting Aphria's top-line performance. By extension, cannabis investors should keep an eye on international cannabis sales as a key indicator of where Aphria could go in 2020.

The bottom line

Investors should look beyond Aphria's Q2 revenue miss and take solace in several points: sales outstripped supply, and overheads were higher than they might have been in an optimized retail landscape.

On balance, Aphria's most recent performance shouldn't put off new investors, especially when growth potential from the changing retail situation in Ontario is factored in.

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