



## How Aphria (TSX:APHA) Stock Is Placed After Strong Q3

### Description

**Aphria** (TSX:APHA)(NYSE:APHA), the top pot stock of Canada, has surged more than 20% so far this week. The rally is evident given yet another strong quarterly earnings yesterday. There are several encouraging signs for investors beyond its Q3 earnings, which indicates that this rally could be just the beginning.

### Aphria reports yet another strong quarter

A \$1.4 billion Aphria reported revenues of \$144 million for the quarter ended February 29. This represented a growth of 96% year over year. Notably, this was Aphria's ninth consecutive quarter of close to 100% or higher revenue growth.

To put that in perspective, it reported total revenues of \$20 million in the fiscal year 2017, increasing to \$520 million in the last 12 months. The company could continue to exhibit such rapid growth in the next few years given its aggressive international expansion plans and new product launches. Aphria reported earnings of \$5.7 million in the recently reported quarter.

The lockdowns are expected to significantly reduce the footfall in physical stores, which will hamper the top lines of cannabis players. However, the government of Ontario, the most populous province in Canada, recently allowed cannabis stores to operate temporarily for pickup and deliveries.

This will likely minimize the dent on top lines of these cannabis companies such as Aphria. However, the pandemic-driven uncertainties have made Aphria's management to rescind guidance for the full year.

### Aphria stands tall among peers

Many players in the cannabis industry are struggling on several fronts. Many loss-making companies are tussling to raise new capital to keep things going. However, Aphria is not only profitable; it is well capitalized as well. As per its recent [release](#), it had cash and equivalents of \$515 million, which will

probably be enough to traverse these harsh times.

Aphria notably differentiates itself from peers with its extensive distribution network in entire Canada. It has an annual production capacity of 255,000 kilograms, making it one of the biggest cannabis players. It estimates a US\$200 billion cannabis market worldwide with [significant growth opportunities](#) in adult-use cannabis and derivatives.

## Valuation

Just like other cannabis stocks, Aphria was also weak, particularly since last year. It is currently trading 50% lower to its 52-week high of \$10.8. However, it looks attractive from the valuation standpoint.

It is trading 2.5 times its next year's expected revenues. This might appear stretched on an absolute basis, but growth stocks trade at a premium. Also, Aphria deserves this premium, as it stands tall among peers on many parametres.

In comparison, peer **Canopy Growth** is trading at a much larger premium at the moment. It has lost approximately 30% so far this year. **Aurora Cannabis** stock also looks to be trading at a large premium at the moment. It has lost more than 60% so far this year.

Aphria stock could continue to trade notably volatile like many of its peers in the near future. However, it mainly stands tall compared to peers because of its strong cash position and convincing financials. It is indeed an attractive investment proposition for long-term investors in the risky cannabis industry.

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vinitkularni20

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