1 Cannabis Stock Set to Soar

Description

If there has been one Cinderella story within the cannabis industry, it's **Aphria** (TSX:APHA)(NYSE:APHA). The market crash hasn't been the only thing plunging APHA stock, yet today's market rally shows Aphria finally making some headway. The question many analysts are asking is, will this growth continue?

The cannabis crash

APHA stock was one of many in the cannabis industry to come crashing down after legalization in October 2018. It had originally passed the $20-per-share mark after announcing back in 2017 it would be expanding into the United States as well as partnering with Canadian pharmacy Shoppers Drug Mart. The company continued to expand globally as well and make acquisitions to keep its top-spot status among cannabis producers. Everything looked to be going smoothly for Aphria shareholders.

But then, the stock crashed and burned by almost 70% after passing the $20-per-share point. In fact, since February 2019, the stock steadily declined. Much of this came from short-sellers questioning the acquisitions made by Aphria in Latin America. The company has continuously denied the allegations, but it still resulted in both lower share prices, and a takeover bid of the company that was flatly rejected.

APHA stock's turning point

The stock continued to tumble into March of this year, when the share price reached $2.65 per share, an almost 90% drop from its all-time highs. But with the accusations behind them, there is one thing that APHA stock now has going for it compared to its competitors: profit. That's right; the company became the first of the cannabis producers to announce a profit a couple months back, which gave the stock a short-term boost. However, with the market crash coming in, investors may have been too nervous to buy in such a risky industry.

But now with a market rally under way, it might be time to look at APHA stock again. Since its 52-week low back in March, the stock has already gained 75% as of writing. What drove the recent growth is the company's earnings report, where Aphria announced yet another strong quarter. While other cannabis producers continue to struggle, especially with debt, Aphria reported an almost 100% gain in revenue and earnings of $5.7 million.

Future grow-op

It's this strong balance sheet that should have investors seeking shares of Aphria. Instead of needing cash to pay off debt, Aphria will continue to be in a solid position to continue growing and expanding throughout Canada in the world. In fact, many of its cannabis competitors have had to shut down operations in other countries and production centres in Canada. Aphria, meanwhile, has the cash on hand to keep up production and distribution.

The company continues to expand internationally and is now laser-focused on Germany after receiving one of three licences in the country to supply medical marijuana. Should a recreational deal come through, APHA stock could significantly grow after the next earnings report. Right now, the company is still behind other producers in terms of production, with the capacity to produce 110,000 kilograms of cannabis per year. However, the company is making another greenhouse, which would bring the total to 230,000 kilograms of cannabis per year once complete — again, another opportunity for huge share growth.

Bottom line

Aphria is in a risky industry, there's no doubt about that. However, it's much better positioned than its peers. When the market rally is complete, APHA stock should rise significantly if its earnings reports continue to remain strong. While others are picking up the pieces to pay off debt, Aphria will continue its path of growth.

As of writing, the cannabis producer has a potential upside of just under 80% to reach fair value. However, should the company continue on its recent trajectory, the stock could easily reach $25 per share within a year. That would give potential investors an upside of a whopping over 450%!

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