



Here's Why Aphria (TSX:APHA) Is the Top Cannabis Stock

Description

The cannabis industry has had its ups and downs in the last few years. At first it seemed as though there would be no stopping cannabis stocks, but as valuations became astronomical, it was clear there was significant downside risk.

Regardless, the industry is still ripe for long-term investors, and one of the best long-term stocks is **Aphria Inc** (TSX:APHA)(NYSE:APHA).

Like every other cannabis stock, Aphria's stock has had its troubles. However, despite what's been going on in the share price, the company has continued to grow its business activities.

Last May [I warned](#) investors of the tough road ahead for cannabis stocks. Since that day, the **Horizons Marijuana Life Sciences Index ETF**, the fund that tracks the cannabis industry, is down 67%.

Although Aphria's stock has been sold off as well, it has outperformed the rest of the industry and is down by just 45%.

This outperformance reflects what investors are starting to realize, namely that Aphria's initial conservative buildout of the company is finally starting to pay dividends.

Aphria's strategy

From day one, it was clear Aphria was taking one of the most conservative approaches of any stock in the industry.

While many companies were trying to build out their infrastructure as fast as possible and acquire other L.P.'s to gain patients and capacity, Aphria took a more conservative approach.

Initially, this suppressed Aphria stock, and some of the other majors like **Canopy Growth** took off. Now, however, with far more financial flexibility than many of the other companies in the industry,

Aphria is looking like one of the best-positioned stocks for the long term.

Going forward, this will causes Aphria to outperform the rest of the industry.

Plus, it's well positioned now at a time when most other companies are struggling. This could be a significant advantage, potentially putting it in an even stronger position if other companies can't survive or run out of capital.

Aphria's stock valuation

At current prices, Aphria's stock looks attractive. Not only is it relatively cheap, but you can expect it to hold up better than many of its peers if there is further downward pressure in the short term.

As of Monday's close, the stock had a target price of \$7.41, which represents roughly 50% upside. The possibilities of Aphria's stock go much higher, though. The high end of the target price range is \$10.00 — a nearly 100% upside.

As many companies are still reaching their break-even point, one of the easiest ways to get a comparison of valuations is through the price-to-sales ratio. Currently, Aphria trades at just 2.6 times sales. This is compared to Canopy Growth Corp with a price-to-sales ratio of roughly 22 times.

Bottom line

The cannabis industry has seen its time as a high-growth industry. Nowadays, if you want to invest in the [cannabis industry](#), you have to look at it as a long-term investment.

Investors still have the opportunity to make a small fortune in cannabis stocks. It's just not going to happen overnight like it once did.

The industry is still ripe with risks, though, with many companies unlikely to survive when it's all said and done.

That said, the one company you can guarantee will continue to be an industry leader is Aphria. So if you're looking for a cannabis investment today, consider Aphria stock.

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