



Is Aphria (TSX:APHA) the Best Canadian Cannabis Stock?

Description

Investors looking for the most secure cannabis investments for long-term upside have a few strong picks right now. Perhaps one of the strongest is **Aphria** (TSX:APHA)(NYSE:APHA). This name sports an appealing mix of qualities from a reassuring cash runway, upward momentum, and a strong recent performance. From its last quarterly report to its outlook, here's what cannabis investors need to know.

A rare all-rounder cannabis stock

At the time of writing, Aphria was up +18% over the preceding five days. This big cannabis name has also put up firm resistance to the destabilizing market forces sweeping the mid-pandemic TSX. In the last three months, Aphria has seen share price growth of 14%. Compare this with the market itself, which has lost 11% in the same period. Aphria clearly has no problem with momentum and has proven strongly resistant to [recessionary conditions](#).

Perhaps of more interest to cannabis investors digging in for the long haul, though, is how Aphria has squared up against its own sector. Take the **Horizons Marijuana Life Sciences ETF**, for instance. This high-profile cannabis index is up by 4% in the last three months. While this positive percentage admittedly also beats the TSX Index, it lags Aphria's breakout performance by a significant margin of 10%.

Outperforming short-term growth makes Aphria a clear buy for momentum investors. But longer-term buyers should also be looking at cash runways as one of the defining qualities of a [top cannabis buy](#). Aphria scores here, too, with around two years' worth of cash runway. **Canopy Growth**, **Cronos Group**, and **Village Farms** would be worthy additions to a wish list alongside Aphria based on this characteristic.

Cash runways are king when it comes to cannabis

Speaking of profitability, Aphria is still ahead of the pack, as its run of decent quarters shows. Its most recent report marked the fourth consecutive quarter of positive adjusted EBITDA. Gross revenue is

now in its fifth quarter of consecutive growth, with a remarkable 54% increase over January's report. This kind of performance should eventually start filtering through into Aphria's fundamentals.

It's been long enough now that investors can actually look at market ratios when shopping for pot stocks. Aphria's valuation in terms of the sector is actually pretty good. A P/B of 0.85 shows a company trading nicely below its per-book value. A P/E of 48 times earnings is about what one might expect for a pot stock, though. That said, high P/E ratios are likely to be high for some time in this space, given where it's at in terms of profitability.

June 8 marks Aphria's switch to the NASDAQ, so American investors should take note of its new home. Its ticker there will remain the same as it is on the TSX (APHA). The move is in line with the trend towards capex reduction among cannabis producers. Indeed, this reduction of overheads while maintaining a focus on profits is one of the main reasons to get invested in top-tier cannabis names like Aphria.

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