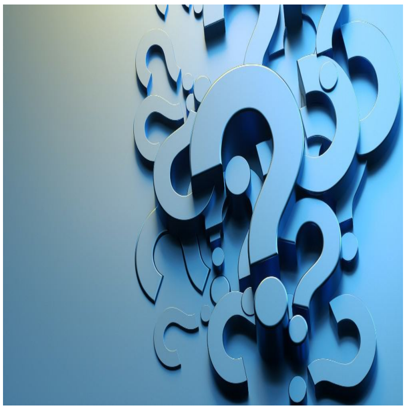

Why Is Aphria (TSX:APHA) the Ultimate Pot Stock?

Description

Cannabis stocks remain popular despite burning significant investor wealth over the last year. The euphoria surrounding marijuana companies when Canada legalized recreational cannabis seems like a distant dream. Several pot stocks touched record highs after Canada legalized pot driving valuations sky-high.

default watermark

While cannabis remains a high-growth market, there are far too many players right now, resulting in oversupply, driving driven inventory levels higher and resulting in million-dollar write-downs.

Most marijuana producers are also grappling with mounting losses and competition from a thriving black market. The slow rollout of retail stores in major Canadian provinces coupled with the impact due to the recent COVID-19 pandemic have not helped investors either.

We can see why cannabis stocks have burnt investor wealth to trade at multi-year lows. However, it appears that cannabis stocks have bottomed out and are on the cusp of a turnaround. Companies such as **Aurora Cannabis** and **Hexo** have recently reported better-than-expected results and sequential growth in revenue.

Aurora Cannabis stock has in fact surged close to 150% in just over a month. So, are cannabis stocks a good bet right now? If that's the case, there is one marijuana producer **Aphria Inc** (TSX:APHA)(NYSE:APHA) that should be on the radar of most cannabis investors.

Here's why.

Aphria is a profitable marijuana stock

Most marijuana companies, including **Canopy Growth** and Aurora Cannabis are still reporting a net loss. However, Aphria is one of the few marijuana companies that is profitable. It has managed to record a positive net income in three of the last four quarters. Aphria's sales in its fiscal third quarter of 2020 rose 65% sequentially as well.

The cannabis company continues to focus on improving operational efficiency and lowering costs while maintaining stellar revenue growth. In Q3, the company's sales doubled year over year while it's selling, general and administrative costs rose by just 24%.

Another important metric is Aphria's cash balance of $515 million. This can be used to expand its presence in the growing European medical marijuana market or acquire domestic companies and drive Canadian sales higher. Aphria's international sales account for a majority of revenue right now.

Aphria has a distribution agreement with all Canadian provinces and is optimistic about growing market share here. In the third quarter, Aphria's market share for vaping products in Ontario stood at 77%, while e-commerce sales in Quebec were up 200%.

For international sales, Aphria's CC Pharma subsidiary remains a key driver. CC Pharma operates a production, repackaging, and labeling facility, giving Aphria access to 13,000 active pharmacy accounts.

Aphria is focused on establishing operational hubs in international markets with significant growth opportunities. It has allocated $90 million for expansion in Germany and Columbia.

The Foolish takeaway

default watermark

In Q3, Aphria harvested 31,000 kilograms of cannabis and sold over 14,000 kilograms, almost doubling its 7,062 kilogram figure in Q2. The company has forecast annual production at 175,000 kilograms and can easily increase production if demand surges higher. Aphria has three licensed facilities and can produce 255,000 kilograms a year.

Aphria has a market cap of $1.56 billion and is trading at a price to earnings multiple of three and a price-to-book ratio of 0.85. Aphria's low valuation, profitability, and strong balance sheet makes it a top bet among cannabis stocks.

CATEGORY

1. Cannabis Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date
2025/08/26
Date Created
2020/06/26
Author
araghunath

default watermark

default watermark