



Why Aphria (TSX:APHA) Stock Soared 14% Yesterday

Description

Shares of cannabis company **Aphria** (TSX:APHA)(NASDAQ:APHA) gained close to 14% on October 5. Aphria stock is currently trading at \$6.68, which means it has returned over 2% in 2020 — one of the few pot stocks to trade in the green this year.

There is a possibility that Aphria gained momentum on the back of [data released by Cantor Fitzgerald and an analyst upgrade](#). Analyst Pablo Zuanic also reiterated Aphria as his top cannabis pick, as the company is now eyeing expansion in the value category for cannabis products.

According to estimates, Aphria's flower sales rose 16% in the last four weeks, while sales for pre-rolls, oils, and vapes were up 25%, 7%, and 6%, respectively, for the week ended on September 19.

Zuanic also claimed Aphria is the market leader in the vapes segment with a 24% share in this category. Comparatively, it has 14%, 15%, and 20% market share in flowers, pre-rolls, and oils, respectively. In the last four weeks prior to September 19, the cannabis market grew by 9.1%, while Aphria expanded sales by 14%.

Zuanic reiterated an "overweight" rating on Aphria stock and increased his 12-month average target price to \$15.5 — up from \$12.5. This represents an upside potential of 132% from the current trading price.

Aphria stock is a top cannabis bet

Aphria is one of the largest cannabis companies in the world. The stock is valued at a market of \$1.9 billion and is one of the most consistent performers in the cannabis space. While several pot stocks are struggling with profitability, Aphria has reported a positive EBITDA in the last five consecutive quarters.

In the fourth quarter of fiscal 2020, the company increased sales by 5% on a sequential basis, while adjusted EBITDA stood at \$9.3 million. It attributed the sales growth to its cannabis distribution in the dried flower segment.

Aphria sold 10,831 kg in the adult-use market and another 453 kg in wholesale. Medical cannabis also contributed to Aphria's revenue growth, and the company sold 1,273 kg in the May quarter.

CEO Irwin Simon remains optimistic about the company's long-term prospects and said, "We're setting ourselves apart from the rest of the cannabis industry, generating some of the strongest sales growth, maintaining one of the strongest balance sheets and cash positions, compelling consumer brands, and a well-diversified global business."

The Foolish takeaway

Aphria is trading at a forward price-to-sales multiple of 2.7 and a price-to-book ratio of 0.9. Comparatively, analysts expect company sales to grow by 29% to \$701.3 million in fiscal 2021 and by 22.5% to \$858.6 million in fiscal 2022.

Aphria also has a large international presence especially in Germany where its subsidiary CC Pharma distributes medical marijuana products to 13,000 of the 19,000 retail pharmacies in the country.

Aphria ended fiscal 2020 with \$5 billion in cash, which means it has enough liquidity to reinvest in growth and expand via acquisitions. Aphria's leadership position, low valuation, consistent profit margins, and strong balance sheet make it [one of the top bets](#) for cannabis investors.

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