



Aphria Achieves a Critical Milestone in Germany — Will Its Stock Surge?

Description

Canadian pot producer **Aphria** (TSX:APHA)(NASDAQ:APHA) has propped up its already outperforming stock after announcing a critical milestone in October. Investors in Aphria stock may look forward to better days after the company successfully made its first-ever shipment of medical cannabis to a new market: Germany.

Aphria's new strategic milestone

The company finally shipped its first-ever medical marijuana product to Germany this month. In a press release published on Wednesday, company CEO, Irwin D. Simon was upbeat, stating that the shipment of dried flower products represented “another significant milestone for Aphria” that strengthened its position as a leading cannabis firm in the European Union.

The critical question from APHA stock investors today could be, “How is this a key achievement?”

One piece of APHA's expansion strategy falls into place

More than half of Aphria's revenue currently comes from Germany. But it's in the form of low margin pharmaceuticals distribution revenue, with zero cannabis sales.

The Germany medical marijuana market is expected to be significantly larger than the Canadian medical and recreational markets combined. Pot companies from all over the world are scrambling for a piece of this most developed medical cannabis market in Europe. While Dutch and Canadian marijuana firms lead the pack, Aphria has not been a participant in the game.

Unfortunately, the Germany cannabis market hasn't been accessible to APHA for years.

Tight production and import regulations shroud in EU Good Manufacturing Practices (EU GMP) certifications have been a hindrance to many interested suppliers. Aphria made a false start by getting cGMP certification from the U.S.A. around the time it acquired Nuuvera Inc. This was not the required

certification for medical marijuana exports to European markets.

Finally, after receiving the correct certifications last year, the company has entered the high margin Germany medical cannabis market. Encouragingly, its subsidiary CC Pharma has distribution access to over 13,000 pharmacies in the European country.

Will Aphria's stock price surge?

The news is good, but APHA stock price only increased by about 3% post the release. Something is missing in the company's press release. The numbers are missing!

We know that finding a new growth market is necessary. Aphria ramped up its pot production this year [after receiving new licenses](#). But the Canadian market has been too slow to grow. There's a need to find new buyers for excess production. The company needs new markets.

Most noteworthy, cannabis exports to Germany will boost gross margins, sustain revenue growth, and allow the company to offload inventory, which is critical. A high production run rate is necessary for the company to keep its per-unit cash costs low. A recent 3,000-kilograms-per-year supply deal to Israel wasn't enough to absorb excess inventory.

As highlighted above, details on how many grams of pot were actually shipped to Germany aren't disclosed yet. Therefore, we can't really tell if the latest milestone achievement has moved any needles yet.

That said, I would expect the latest export to be the first of many, even after the company completes its first facility in Germany for local production. This news piece was one of my expected growth drivers for Aphria stock. Shares should continue to rise as the company [executes](#) for growth.

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Date

2025/07/21

Date Created

2020/10/07

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brianparadza

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