



Why Aphria (TSX:APHA) Stock Soared 35% Last Week

Description

Pot stocks have been on a roll recently. One that has notably stood out among them is **Aphria** (TSX:APHA)(NASDAQ:APHA). The cannabis giant has gained almost 170% in the last three months and is currently trading at its two-year high.

Aphria stock at two-year high

The potential legalization of cannabis, mainly after US elections and Aphria's merger announcement with **Tilray** ([NASDAQ:TLRY](#)) drove its stock to new highs recently. Interestingly, these two factors could continue to push the stock higher despite the recent rally.

Aphria stock received yet another push last week with its better-than-expected quarterly earnings. The company reported \$160 million in revenues for the quarter ended November 30, 2020. This was an increase of 33% year-over-year and 10% quarter-on-quarter. Even if it's a loss-making company at the moment, Aphria has achieved a positive EBITDA for the last six consecutive quarters. That's a remarkable feat in this industry when peers struggle to become profitable.

Aphria stock also got a boost last week with the management's upbeat commentary. The company reiterated its target of becoming cash flow positive in the next fiscal quarter. Aphria-Tilray merger will complete by Q2 2021.

Growth prospects in 2021 and beyond

Aphria is a relatively well-placed cannabis company among peers. Its strong balance sheet and financial stability have remarkably stood out in the industry. Now with the Tilray merger, the company is set to become one of the largest pot companies globally. The combination will likely play well for its scale and reach, which should [accelerate its earnings growth](#) in the long term.

Interestingly, Aphria should significantly gain with Tilray's robust hemp sales in the US. It has acquired Sweetwater Brewing Company, facilitating its foray into the cannabis beverage market south of the

border.

However, the path to profitability will not be easy. The cannabis sector is still grappled with numerous fundamental challenges like oversupply and highly dominating black markets. That's why pot legalization south of the border will play a key role in the industry and Aphria.

The legalization will open a larger market for cannabis companies and could help them improve profit margins. Notably, not all pot companies will be able to fund the growth projects in the US following the legalization there. But Aphria looks strong based on the liquidity and the product line front.

Aphria stock is trading close to \$16 and looks [overvalued](#) at the moment. However, when considered the synergy benefits with Tilray, the stock could have a large growth potential over the next few years. Notably, many pot stocks have rallied since the US elections and are sporting a premium valuation.

Bottom line

As earlier stated, Aphria looks relatively well-placed, considering its path towards profitability and balance sheet strength. The premium valuation indeed falls on the expected lines, given the large growth potential and relatively embryonic stage of the pot industry. Investors ready to stomach large stock price swings can consider entering into cannabis stocks. If the US, in fact, opens its market at the federal level, pot stocks will see a blockbuster year in 2021.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:TLRY (Tilray)

PARTNER-FEEDS

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

Category

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

Date

2025/08/20

Date Created

2021/01/18

Author

vinitkularni20

default watermark

default watermark