



Why Is Aphria Stock up 220% in 2021?

Description

Shares of leading marijuana company **Aphria** (TSX:APHA)(NASDAQ:APHA) have been on an absolute tear this year. Aphria stock is up 220% year to date, while the **Horizons Marijuana Life Sciences ETF** has gained 97% as well.

Cannabis stocks have [experienced an upward spiral](#) ever since Joe Biden won the presidential race in November. It is widely expected that the Democrats will decriminalize and even legalize recreational marijuana at the federal level.

Let's take a look at the company-specific factors that have driven the stock higher in 2021.

Aphria's quarterly results

Last month, Aphria released its fiscal second-quarter-of-fiscal-2021 results and reported net revenue of \$160.5 million. This indicated a 33% growth year over year and a sequential growth of 10%.

Aphria's gross profit was down 47.5% due to a change in the fair value of inventory. Aphria also managed to squeeze out a profit of \$3.2 million, or \$0.01 per share. Comparatively, in the prior-year period, the company posted a net loss of \$48.8 million. Analysts expected Aphria to post revenue of US\$119.4 million and a net loss of \$0.02 in Q2.

According to Aphria, the sequential revenue growth was primarily driven by higher distribution revenue from its CC Pharma, which is a medical marijuana distributor in Germany. Further, Aphria also reduced its cash cost to produce a gram of cannabis by 9% — a downward trend that has been witnessed in the last year.

The company improved its cash flow by \$70 million and is well poised to report a positive free cash flow in Q3. Shortly after Aphria's Q2 results, Stifel analyst Andrew Carter increased the stock's target price to \$15.5, up from \$9.8, and maintained a neutral rating on it.

Merger with Tilray

Another major driver of Aphria stock is its upcoming merger with **Tilray** that is expected to close by Q2 of CY 2021. The combined company will be the largest cannabis entity by revenue. It will also help Aphria to cultivate products at a lower cost and benefit from economies of scale.

There is a good chance that the merger will take some time to pay off, but according to the management, the new entity should have pre-tax annual cost synergies totaling \$78 million in the next two years after the acquisition.

The two companies have reported total sales of \$874 million in the last 12 months [and will account for](#) 17.3% of the Canadian marijuana market. After the acquisition is complete, the combined entity will have a robust product portfolio that includes vapes, pre-rolls, medical cannabis oil, edibles, beverages, and flowers.

What's next for investors?

Aphria stock is currently valued at a market cap of \$8.7 billion. While its recent rally might not be sustainable, there is a good chance for the company to gain investor confidence if it can achieve profitability on a consistent basis.

In Q2, Aphria increased the amount of dried cannabis it sold by 5,000 kg, indicating the potential of a solid turnaround in the Canadian legal marijuana market.

CATEGORY

1. Cannabis Stocks
2. Investing

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

Date

2025/09/27

Date Created

2021/02/18

Author
araghunath

default watermark

default watermark