



Should Investors Avoid Canadian Marijuana Producers With U.S. Assets?

Description

There have been some fears surrounding the fate of Canadian marijuana stocks that have a substantial number of U.S. assets. **Aphria Inc.** (TSX:APH) has invested millions of dollars south of the border, where marijuana is still considered illegal and will not be legalized on a national scale in the near future.

Aphria has been one of the best run Canadian marijuana growth stocks of late; the company just came off an incredible quarter which saw operational costs decrease by a substantial amount compared to its last quarter. Aphria is arguably one of the best buys in the Canadian marijuana scene right now. The company is firing on all cylinders as it prepares for nationwide legalization, but there's just one major concern: the U.S. still considers marijuana illegal, and Aphria's U.S. investments in states such as Florida and Arizona could be considered illegal.

What does that mean for Aphria's future?

TMX Group Ltd. ([TSX:X](#)), the operator of the Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSXV), has reportedly been speaking with regulators to figure out what will happen to Canadian-traded marijuana producers with assets in the U.S. There has been speculation that such stocks may see trading halted or a potential delisting of securities that appear to have "illegal investments in the U.S."

There are certainly some scenarios that would allow companies like Aphria to continue to trade publicly, but at this point, the outcome remains speculative, and investors definitely have the right to be concerned. The rules are really not clear right now, so investors are just going to have to wait and see what's in store for Aphria's future as a publicly traded company. TMX Group will continue to discuss possible scenarios with regulators, and while doing so, Aphria will continue to trade as usual.

In a statement released on August 17, 2017, the TMX Group stated, "This is a complex matter which touches multiple aspects across our capital market system, and as such requires close examination and careful consideration."

What should investors do?

Although Aphria is one of my favourite Canadian marijuana producers, there's too much uncertainty about its future as a publicly traded company. In the worst-case scenario, Aphria could be delisted, and it's not clear what will happen to existing shareholders at this point in time.

Canopy Growth Corp. ([TSX:WEED](#)) isn't in the U.S. right now, so investors worried about the future tradability of marijuana stocks may prefer WEED over APH as fears over this matter continue to grow. Although WEED may seem "safe" from this uncertainty, there's a degree of systematic risk which may bring shares down of WEED down anyway over the short term. Such a sell-off may present an attractive buying opportunity which prudent, growth-hungry investors may wish to capitalize on.

Personally, I'm on the sidelines with APH because the uncertainty is way too much for me. Shares could either rally or take a major dip depending on the options that the TMX Group will give Aphria, if any, moving forward.

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