



Aphria Inc. Plunges ~13.4% in a Day: Time to Throw in the Towel?

Description

Aphria Inc. (TSX:APH) shares nosedived 13.38% in a single trading session following news that the TSX could delist cannabis stocks with business activities in the U.S. Although marijuana is legalized in many states south of the border, the drug is still illegal at the federal level, and such U.S. business operations could be considered illegal through the eyes of the U.S. government.

In a [previous piece](#), I urged marijuana investors to steer away from Aphria, despite its very promising quarterly results. Aphria is a great producer; however, it has added uncertainty thanks to its American ventures, which could be considered illegal now and for many years to come since the U.S. government has no clear plans to make marijuana legal at the national level.

TMX Group Ltd. ([TSX:X](#)), the operator of the TSX and TSXV exchanges, has been in discussions with regulators to shed light on the fate of Canadian marijuana producers with U.S. assets. TMX Group stated in the past that delisting was a possibility, but this didn't seem to stop many Aphria shareholders who were still euphoric over the company's historic quarter, which saw major improvements across the board.

More recently, the TSX was issued with a staff notice stating, "U.S. federal laws take precedence over state laws," and that "issuers that violate the federal marijuana law are not complying with listing requirements."

Although it's in the best interest of the TMX Group to keep Aphria listed, delisting it may be the only option when all is said and done. TMX Group has been examining the situation very carefully, and if no other scenarios exist, Aphria shareholders are going to need to find another pot stock to ride the next wave of the green rush.

In my [previous piece](#), I encouraged investors to consider **Canopy Growth Corp.** ([TSX:WEED](#)) over Aphria because of its lack of U.S. assets and its solid presence in international markets such as Germany. Canopy and other Canadian marijuana stocks got hit on the news (not as bad as Aphria), but this was just due to shivers being sent down the entire industry. Canopy really shouldn't have dropped by 4.65%; however, I warned investors that no pot stocks would be immune to systematic

risks.

Bottom line

Aphria is a fantastic company with smooth operations; however, the company was a victim to unforeseen political risks. There's enough volatility and uncertainty in the cannabis industry as a whole, so the additional question mark with Aphria's future tradability was a huge reason to prefer its peers.

If you're still an Aphria shareholder, it may be time to jump ship to another pot stock before the stock disappears from the TSX. I'm not sure what the fate of Aphria and its shareholders will be, but it's a can of worms that I wouldn't want to open if I owned shares.

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Date

2025/08/23

Date Created

2017/10/18

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