

Aphria Inc.'s Got a Good Thing Growing

Description

Aphria Inc. (TSX:APH) obtained its dealer's licence from Health Canada November 23. That enables the Leamington company to possess, sell, and transport medical cannabis oil internationally.

It's a big deal; the announcement sent Aphria stock up 9.9% in a single day's trading and 15.2% for the week.

"There is an incredible appetite for high-quality medical cannabis in legal markets around the world. Obtaining our dealer's licence is a significant milestone in our international expansion strategy as it enables Aphria to have greater control over importing and exporting medical cannabis oil globally," said Vic Neufeld, CEO of Aphria. "This licence will accelerate our speed to international markets and broaden our patient base internationally, resulting in greater revenue for Aphria."

I couldn't resist using the company's final sentence of its press release announcing the latest step in its international expansion as my headline.

It does have a good thing growing — both in terms of its product and future business potential.

Lagging its peers

Even after its 15% week, Aphria stock is up "just" 84% year to date through November 23 compared to 107% for **Canopy Growth Corp.** ([TSX:WEED](#)) and 193% for **Aurora Cannabis** ([TSX:ACB](#)).

Much of the hitch in its giddy-up has to do with its U.S. investments in Arizona and Florida. The TSX continues to threaten to ban any TSX stock that has U.S. cannabis interests, directly or indirectly, because, under U.S. federal law, cannabis isn't a legal substance.

"We don't know where this dialogue is heading. There is no urgency from them [TSX]," Neufeld said recently. "I think there are still investors on the sidelines because they just want clarity. It's going to be months before that's going to happen."

In March, Aphria upped its investment in Copperstate Farms LLC to 18.5%, an Arizona company with 1.7 million square feet of greenhouses, including nearly 350,000 square feet of medical cannabis production.

A month later, Aphria invested \$25 million and raised \$35 million through a private placement in a business combination that ultimately saw it obtain a 37.6% interest in **Liberty Health Sciences Inc.**, owners of Chestnut Hill Tree Farm — one of eight Florida companies licensed to dispense medical marijuana in the state.

It is these two assets that the TSX takes issue with.

Move listing to another exchange

CEO Vic Neufeld is unwilling to part with either investment, especially its minority ownership in Liberty Health Sciences because the Florida medical marijuana market is one of the biggest in the U.S.

“The Liberty part is the fight we will fight. We do not control Liberty. Aphria does not. Liberty is on the CSE. We have influence, yes. We own 37%, yes. But we don’t control,” Neufeld stated recently. “If push came to shove, if we were right against the wall, the option of re-listing somewhere else is always on the table.”

Frankly, the TSX is crazy to let Aphria or any of the other big cannabis producers walk, because Canada is becoming the global centre for the marijuana industry. To push companies on to other exchanges only puts Canada in a worse light both as a place to list and do business.

Hopefully, the TSX will regain its sanity and back down from its position. However, I have no doubt the company has alternative arrangements ready should Aphria need to move its listing.

Bottom line on Aphria’s listing troubles

I believe that Aphria is making all the right moves to be the best low-cost producer of marijuana in the world, and it’s not going to let the TSX stand in the way of its plans.

In October, I’d suggested that investors buy some Aphria stock after it dropped double digits on the news the TSX was considering banning listed companies with U.S. cannabis investments.

Since then it’s up almost 50%, much of the gains a result of speculation it might be the next to receive a big investment from an alcohol company.

It might happen, or it might not.

What I do know is that Aphria has a winning business model, and it’s not going to be derailed by the TSX.

Aphria’s got a good thing growing, indeed.

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