



Is Aphria Inc. in Danger of Being Delisted?

Description

Aphria Inc. (TSX:APH) looks like it might be under some pressure to divest its interests south of the border. Back in October, [Aphria saw its share price decline significantly](#) after **TMX Group Limited** (TSX:X) put companies on notice that by not being in compliance with U.S. laws, stocks could be delisted from the TSX.

This includes companies that are involved in marijuana south of the border, where pot is still illegal at the federal level.

Although Aphria downplayed the risk initially, it has announced recently that it was going to reduce its exposure. Aphria CEO Vic Neufeld stated, “We are trying to endeavour as best as possible, as expeditiously as possible, to divest from Aphria any direct involvement in any medical cannabis that we have in the U.S.”

Whatever message was sent by TMX initially seems to not be ambiguous anymore. The statement by Aphria’s CEO suggests that there is some urgency in the company’s divestiture from operations south of the border, and that might give investors some cause for concern.

Not only does this impact the company’s operations, but it could have a negative impact on its financials if Aphria is forced to sell off in a hurry and take whatever price it can get.

Aphria is attempting to “purify” its balance sheet

The company’s CEO referred to the process of removing its non-compliant U.S. holdings as a process of “purifying” Aphria’s balance sheet. Neufeld stressed he would do as much as possible “as long as the Aphria shareholders are not damaged in any which way.”

The concern for investors is why the company jumped the gun with its efforts to expand into the U.S. — a country that has typically been very tough on drugs, with marijuana being no exception. By comparison, **Canopy Growth Corp.** (TSX:WEED) has focused on expanding its efforts outside North America and has not attracted the attention of the TSX.

Last resort would be to list on the CSE

One option for Aphria is spinning off its U.S. investments into a company that would be listed on the CSE. The downside of this is that the stock would see less activity, and there would be less liquidity for investors. Neufeld said this would be a last resort as Aphria, in its entirety, aims to stay on the TSX.

What does this mean for investors?

Right now, it is too early to tell, but there are definitely some warnings signs that shouldn't be ignored. Marijuana stocks [have been growing at an alarming rate](#), and this is a reminder of why investors need to exercise caution. Many companies have shown too much enthusiasm in growing as fast as possible, and Aphria is no exception to this.

Although Aphria may not get delisted and will likely do what it needs to do to stay on the TSX, this should serve as a reminder to investors about the risks of investing in cannabis stocks. It's tempting for these companies to expand as quickly as possible to get the advantage of being a first mover, but it's important to be diligent when doing so.

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