



Is Aphria Inc. Putting its Investors at Risk?

Description

Back in December, **Aphria Inc.** (TSX:APH) said it was going to [“purify” its balance sheet](#) and divest from its medical marijuana interests in the U.S.

However, all that has since changed.

Although it looked like Aphria may have been in a panic to shed itself of any U.S. holdings that could get the company in trouble with the TSX, Aphria’s CEO, Vic Neufeld, says the company is now backing away from those plans.

Neufeld clarified that the company was not facing a direct order from the TSX, stating, “In terms of Aphria’s U.S. assets, I would like to convey the message that we have no delisting request whatsoever from any regulator.”

Why the sudden change?

Aphria’s lawyers have likely taken a closer look at the company’s investments, what’s illegal in the U.S. and decided that it is on safe legal standing. However, that does not mean that the company is out of the woods.

The U.S. government continues to take a tough stance on marijuana, and Attorney General Jeff Sessions only further complicated things when he stated that [federal laws on pot could still be enforced in states where the drug has been legalized](#).

This legal ambiguity creates a lot of uncertainty for investors, and it’s hard to understand why Aphria would risk running into problems down the road. The main reason that we aren’t seeing bigger players enter the industry in the U.S. yet is because it’s still too early to do so, and the laws will not facilitate any large-scale growth anytime soon.

Other options are available

The U.S. pot market is very risky at the moment, with too much ambiguity for investors not to be

concerned about potential issues.

Instead, Aphria could look to what its peers like **Canopy Growth Corp.** are doing to invest in other countries worldwide. There are many ways in which Aphria could expand its reach globally without having to expose itself and its shareholders to the risk of investing in U.S. pot.

Why investors should be concerned

Although the company may not have received a delisting request from the TSX, Aphria is evidently walking a line that investors wouldn't want it to cross. While Aphria could list with a venture exchange rather than the TSX, this move would have a significant impact on the share price, as the stock would lose millions of investment dollars from companies and funds that avoid high-risk exchanges.

With so many pot stocks to choose from and a lot of competition in the industry, investors could easily move their money into another cannabis company with less risk, which is why this move doesn't make a lot of sense based on the information we have today.

Since being listed on the TSX nearly a year ago, Aphria's share price has tripled. However, it will be hard for the pot stock to replicate those results in 2018.

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