

Why Aphria Inc. Ought to Ditch TSX

Description

Two of my Fool.ca colleagues recently warned that **Aphria Inc.** (TSX:APH) is playing with fire by holding interests in U.S. cannabis businesses because that potentially puts it offside with both the U.S. Attorney General's office and the mighty Toronto Stock Exchange.

I have three words for Aphria CEO Vic Neufeld: Call their bluff!

What's the real risk here?

I believe in assessing stocks based on what I know rather than speculation by others. In recent months there has been a great deal of chatter about the TSX rattling its sword to keep all of its listed companies in line.

The TSX is concerned about Aphria because of its dealings in the U.S. — a nation so hopelessly divided at the moment that the exchange is concerned that Neufeld will be thrown in jail south of the border — taking the good name of the exchange down with him.

I'm being facetious, of course, but in my opinion, the exchange ought to stay out of Aphria's business for two reasons.

"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," [wrote](#) David Jagielski on January 12. "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."

No legitimate business wants to run afoul of the law, especially not a growing cannabis company with a market cap of \$3.5 billion.

However, Americans take state rights very seriously.

In a recent poll by HuffPost/YouGov, only 30% of Americans said they would back a move by federal prosecutors to stop the sale and use of marijuana in states where pot is legal. Aphria's U.S. investments are in Florida and Arizona, where medical marijuana is legal.

Jeff Sessions can do and say whatever he wants, but should the rights of Americans be trampled upon in states where medical and recreational marijuana is legal, you can be sure that there will be years of litigation and court proceedings to protect those rights.

What about the TSX?

As I said earlier, the TSX ought to mind its own business. There's a difference between believing a listed company *is* doing something illegal and a lawyer's opinion that they could be.

However, if the TSX continues to play a game of chicken, I believe that Neufeld ought to take his company's business elsewhere. There are places to list right here in Canada that would gladly have it — the Canadian Securities Exchange being one; Aequitas Neo Exchange being another.

The CSE has 53 cannabis issuers listed on its exchange; 17 of them doing business in the U.S. Those 17 companies account for 25% of the CSE's entire market cap. I'm sure CSE CEO Richard Carlton would have no problem welcoming Aphria into the fold.

Fool.ca contributor Joey Frenette likens Aphria's [situation](#) to **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) in that Aphria could be forced to sell its U.S. assets quickly at prices that are less than optimal in order to comply with TSX rules and the U.S. Attorney General.

I fail to see how one has anything to do with the other.

Valeant had to unload assets or its bankers would have come calling, hat in hand.

Aphria, on the other hand, has done everything to comply with the laws in the jurisdictions in which they operate. There's almost zero chance that the company would not be given an opportunity to sell those assets in a way that meets the needs of shareholders.

Chances are, however, it won't come to that.

Bottom line

The TSX is proving once more why exchanges like the CSE are growing in stature. The TSX's sabre rattling is both perplexing and counterproductive to building an entrepreneurial, pro-business environment for companies to raise capital in this country.

Take a pass on Aphria stock if you must, but don't let your decision be guided by conjecture and speculation because at the end of the day, Aphria does have options — good ones, in fact.

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Date

2025/08/25

Date Created

2018/01/20

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