



What Should Aphria Inc. Do With its U.S. Assets?

Description

A significant amount of discussion surrounding the options available to **Aphria Inc.** (TSX:APH) and other Canadian cannabis producers with interests in medical marijuana production in the U.S. has led to a number of different opinions on what Aphria and its counterparts should do, as the Canadian parent company of the TSX **TMX Group Limited** ([TSX:X](#)) continues to weigh whether or not it will [delist](#) Canadian cannabis companies with U.S. interests.

Fellow Fool contributor Will Ashworth believes Aphria should simply [call the bluff](#) of TMX and seek a listing elsewhere. The options Mr. Ashworth has put forward are the Canadian Securities Exchange and Aequis Neo Exchange, two lesser-known exchanges, but they are indeed options.

I can state with near certainty that such a move will never take place unless absolutely necessary by Aphria due to the visible nature of the TSX and the reputation risk Aphria would lose by forcefully or voluntarily delisting from the most prominent Canadian exchange. Remember that Canadian cannabis companies received massive valuation bumps when promoted to the TSX from junior exchanges due in part to the fact that the ability of cannabis firms to be publicly listed on the TSX resulted in a “legitimizing” of sorts of a cannabis sector, which was previously viewed as highly speculative and very much “grey area” of investing for less-scrupulous investors.

Indeed, while some, including me, continue to view cannabis producers listed on the TSX as venture companies which should in fact be listed on the CVE, the reality remains that the TSX has opened its doors to cannabis firms. Walking out that door would result in a massive valuation hit that investors would most definitely not welcome.

The options available to Aphria, in my opinion, are thus limited to two: sell U.S. assets, as other Canadian firms have done, to eliminate any delisting risk, or stand by U.S. investments and the sanctity of state laws in the U.S., which allow for medicinal marijuana usage.

It appears from recent interviews given by Aphria’s CEO Vic Neufeld that the cannabis producer intends to stand firm in its right to own U.S. assets in states where medical marijuana has been legalized. This move seems to me to be the most prudent, and if Aphria is successful in convincing

TMX Group and others that Canadian firms should be allowed to continue to hold such investments, this decision could turn out to be a game changer. But if the TMX Group decides to take punitive action on Aphria via delisting or other means, investors will be on the hook for the valuation hit that will most certainly unfold.

Stay Foolish, my friends.

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chrismacdonald

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