



Aphria Inc. Decides to Sell U.S. Investments After All

Description

Last year, the TSX announced that it would be cracking down on cannabis companies that held positions in U.S. pot companies. Regardless of the laws set out in each individual state, federal laws are what matter to the TSX and its listing requirements, and cannabis still remains illegal in the U.S. at the federal level.

Aphria Inc. (TSX:APH) was front and centre of that controversy, as the company holds multiple investments in U.S. pot, and concerns were that it could run the risk of potentially being [delisted](#) from the TSX if it didn't shed some of those holdings. However, just last month the company [downplayed those concerns](#), with CEO Vic Neufeld 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."

Despite those claims, the company recently announced that it would be divesting some of its U.S. holdings with the sale of a portion of its investment in Florida-based Liberty Health Sciences Inc., just days after it said that it would be selling its investment in Copperstate Farms, which operates out of Arizona.

Regarding the recent deal, Neufeld stated, "While I continue to believe there is tremendous opportunity in the U.S. for medical cannabis, the sale of these shares serve the best interests of our shareholders."

Opt-out option included in the deal

Although Aphria did not state the reason behind the decision to sell its holdings, investors might be interested to know that the deal allows the company to opt out of the agreement should the TSX permit cannabis investments to be held south of the border. This suggests these recent deals were in light of the TSX crackdown, regardless of what Aphria admits.

What does this mean for investors?

Aphria's investors may be disappointed that the company is divesting itself of a big potential market south of the border, but at the same time investors should be breathing a sigh of relief that Aphria is doing what it needs to stay onside with listing requirements.

Although it's not likely that Aphria would have likely allowed itself to get to the point where being delisted was a serious threat, in a very volatile market where perception and expectations are everything, even the possibility could send the stock reeling, which could result in big losses for investors.

Bottom line

As lucrative a market as U.S. pot is, it's still not a viable option for Canadian companies. Unfortunately, it may still take many years before marijuana is legalized south of the border, and it may not happen until a Democratic government is back into power, which is likely to be more pot friendly than a Republican one will ever be. Until then, companies will have to look to other avenues to grow.

In the mean time, Aphria may have to follow the model set out by **Canopy Growth Corp.** ([TSX:WEED](#)), which has focused on expanding its reach outside North America. As cannabis legalization continues to progress around the world, more opportunities will open for pot producers like Canopy and Aphria.

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