



Aphria Inc. Divests U.S. Assets: Time to Buy?

Description

One of the biggest thorns in the side of **Aphria Inc.'s** (TSX:APH) management team in recent months has been the company's perceived risk related to its U.S. investments. While many in the cannabis sector believe that investments in growing medical marijuana producers in U.S. states that have legalized marijuana at the state level are a good thing overall, the reality remains that cannabis is still illegal at the federal level in the U.S., making such investments too risky for some investors and regulators.

An announcement last year by **TMX Group Inc.**, the parent company of the TSX, has shed additional uncertainty as to whether companies like Aphria with assets in the U.S. may be de-listed from the TSX as a result of holding on to such investments.

To combat this perceived risk of de-listing, Aphria has apparently taken the position that divesting of its direct investments in the U.S. market "[serves the best interests of \[their\] shareholders](#)," a stance which answers the question of [what Aphria should do](#) with its holdings in U.S. cannabis producers.

Earlier this month, Aphria announced it divested of its stake in Arizona-based **Copperstate Farms** for \$20 million to affiliated company **Liberty Health Sciences Inc.** This deal was made, in large part, as a sign of good will that Aphria intends to do what is necessary to remain in good standing with the TMX Group and retain its listing on the TSX.

That being said, Aphria's share price dipped significantly following the announcement, given the fact that its position in Copperstate was listed on its balance sheet at \$34.8 million, meaning investors would be on the hook for the difference. Aphria's share price has since rebounded somewhat from its post-divestiture announcement; however, Aphria's share price remains more than 35% below its 52-week high as of Friday's close.

Bottom line

While some, including fellow Fool contributor Joey Frenette, believe that Aphria is a company which [shouldn't be touched with a barge pole](#), citing a potential destruction of shareholder value resulting from these asset sales as a key thesis for why Aphria is riskier than its counterparts in the Canadian

cannabis space, it is true that this recent move will take away much of the cloud of uncertainty which has hovered over Aphria for the better part of the past year.

I, however, tend to agree with Mr. Frenette on the fundamental basis that selling assets for less than their intrinsic value is something which is likely to be punished by market participants in the cannabis sector. Investors are looking for growth at any cost, and divestitures at this point in time are certainly not a good thing for Aphria shareholders in the short, medium, or long term.

Stay Foolish, my friends.

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