



## Has Aphria Inc. (TSX:APHA) Stock Finally Bottomed out?

### Description

**Aphria Inc.** (TSX:APHA)(NYSE:APHA) stock price is trading higher for the first time this week after a precipitous 52.43% plunge on the TSX since Monday as investor confidence was [shaken by a sharp short-seller attack](#). Could this be the time to pick the heavily discounted stock at the floor?

The low cost marijuana producer released a press release before market open on Thursday that was a bit more calming, as the company tries to fend off the vicious short-seller hounds that have pounced on its equity valuation.

Short sellers Hindenburg Investment Research and Quintessential Capital Management accuse Aphria insiders of front running the company's investors in recent Latin America acquisitions and selling "worthless" assets to the company at exorbitant considerations for hefty personal gains.

After two earlier press releases from the company on Monday afternoon and another on Tuesday morning failed to instill investor confidence in the company's shares, the company's board of directors decided to take the matter a notch higher.

Aphria has appointed a special committee of independent directors to review the company's LATAM Holdings acquisition, and the company's board believes that the company conformed to all internal "policies and generally accepted corporate governance practices" claims the Thursday statement.

My take from the latest press release is that Aphria is on a move to make a thorough investigation into the short seller allegations and management hopes to convincingly debunk, as many short seller claims from the troublesome Monday report as it can in order to calm the markets.

That said, this route is not without its own questions.

### New investor questions

Aphria's could be in a crisis of shareholder trust, as the investing community may believe that management has walked a very thin line, barely meeting legality issues but severely lacking on ethics, especially given the Nuvera acquisition precedence.

If investors develop trust issues with management, how well will they quickly accept the company's board, if the same board starts by reiterating its confidence in the questionable Latam acquisitions process before an "independent" committee has actually reviewed the transactions?

Should there be any indications that the short seller's report (which seems thoroughly researched) is actually truthful? Will the current board still be independent enough to take corrective action?

### **Time to buy the dip?**

Management scandals can be seriously damaging, and Aphria has a long way to go to calm down investors' nerves. Until the board reports on its review of the alleged scandalous transactions, the stock will continue to face severe selling pressure.

That said, the company still has strong operations in Canada, and Good Manufacturing Practices [\(cGMP\) certified facilities](#) that produce pharmaceutical grade cannabis. Further, its forays into the European market could start generating revenue growth soon.

Most noteworthy is that the company is one of the very few cannabis producers to sign provincial supply agreements with more than nine provincial authorities, and the company's first set of recreational cannabis financial results will be out soon for the quarter ended November 30.

Volatility has found a new home on Aphria stock with the latest short seller attack, but the company has some of the best marijuana operations in North America, providing a higher floor to its equity price. Picking the dips in its shares now could yield some capital gain, but beware the volatility, as the latest short attack could result in a senior leadership shakeup.

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