



Why Aphria Inc. (TSX:APHA) May Be Innocent of Short-Seller Allegations

Description

I'm not a fan of **Aphria** (TSX:APHA)(NYSE:APHA) stock, and I've expressed my [strong distaste](#) for the moves of management for well over a year now. But that doesn't mean Aphria is guilty of the allegations made by short-seller Gabriel Grego of hedge fund Quintessential Capital Management. And it certainly doesn't mean that the stock is [worth \\$0](#), Grego's current price target for the troubled pot stock.

Guilty until proven innocent

While Aphria has indeed made horrible M&A decisions, which I've slammed in the past, there's no conclusive evidence that's suggestive that Aphria insiders have been engaged in intentional wrongdoing at the expense of shareholders.

Grego has encouraged investors to do their own research, and since his bombshell short report was released, many analysts still have Aphria stock as "under review," thereby implying that even sell-side analysts are having a tough time coming to the same conclusions as Grego.

Aphria was a classic case of "sell first, ask questions later," and it definitely didn't help that most of the company's shareholders were weak-handed traders looking to make a quick buck off the speculative sector.

Don't treat short-seller claims as gospel

In a [previous piece](#), I highlighted the remarkable increase in the number of short attacks targeting Canadian companies since the Valeant Pharmaceuticals fiasco a few years ago, and that not all of the short-seller claims are dependable as many attacks were shown to lack proper due diligence. Further, I noted that pot stocks were particularly vulnerable to short-sellers given their fragility.

With that in mind, I think short-seller claims should be taken with a fine grain of salt, and now that Aphria has a special committee investigating to prove Grego's allegations as false, I think Aphria stock could be ripe for a massive upside correction in the coming months.

Insiders are doubling down on the short-seller-triggered dip

The special committee will be the trigger that'll catapult the stock, but the real reason that Aphria may be innocent of Grego's "inaccurate and misleading accusations" is the fact that insiders were quick to load up on their own shares on the public markets on the day that Grego triggered Aphria's massive implosion.

Several high-level executives, including CEO Vic Neufeld, backed up the truck on hundreds of thousands of shares on December 3. Given the timely buys, it appears that management is confident that they aren't trying to cover up fraudulent activities that have been going on behind the scenes.

Foolish takeaway on Aphria stock

Now, even if Aphria hasn't done anything unlawful, the company still made what I believe are shareholder-destructive acquisitions over a year ago, and as the broader market picks up negative momentum, investors would be wise to trim their positions should a potential "innocence" relief rally overpower the negative momentum experienced by stocks across the board.

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