



Were the Short-Sellers Wrong? Is Aphria Inc (TSX:APHA) a Good Buy?

Description

Aphria (TSX:APHA)(NYSE:APHA) has seen its name dragged through the mud for some time. The stock was one of the worst performing on the TSX last year, and it even got a [low-ball offer](#) last year from a company that saw an opportunity to make a steal of a deal. However, a lot of the stock's struggles stem from the bad press it has received surrounding its investments in other parts of the world; a short-seller alleged that the investments were worthless and that the company was a "[black hole](#)."

Since then, Aphria has done its own analysis of the acquisition of LATAM Holdings Inc., the one which the company has been accused of overpaying for. A special committee of independent directors acting with legal and accounting professionals set out to review the dealings and decipher if any wrongdoing took place.

In their findings, the special committee was able to confirm the existence of the assets in both Colombia and Jamaica, as advisors had conducted in-person site reviews. Another key finding was that the purchase price paid for the acquisition was "within an acceptable range as compared to similar acquisitions by competitors." The committee did note, however, that there were some conflicting interests involving non-independent directors that weren't fully disclosed.

What does this mean for investors?

This report should alleviate some of the concerns that investors had of the assets not existing or being wildly overpriced. One of the risks when a company invests in another part of the world is that it's often not easy to gain visibility into those assets to see that they really exist or that they're worth what the company paid for them. However, by verifying the assets, the committee was able to address a big cloud hanging over Aphria's investments and should help add some confidence to its balance sheet.

While the committee did note that the price paid was comparable to others, that wouldn't suggest to me that it's still a good price. After all, we've seen many high price tags when it comes to the cannabis industry, and it might not be a good ball park to compare against. At the very least, however, investors

can have some sense of relief that it isn't a whole lot worse than what Aphria's peers have paid for some of their investments.

Is the stock a buy?

Aphria's stock has started the year on a good rally, rising more than 60% year to date. Last week's news could help propel the stock even higher, as investors might see this as an opportunity to buy the stock back up before it peaks yet again. The one sobering reminder for investors is that the stock has been very volatile over the past year and it's a very high-risk buy, even with fears being calmed a little about the company's investments.

Outside a spike in price around August to November, Aphria's stock has typically traded at around \$12 or less over the past 12 months, and I wouldn't expect this news to carry it much higher. Without a big development or earnings report, I still wouldn't consider buying Aphria today.

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Date

2025/08/26

Date Created

2019/02/19

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