



Why Aphria Inc (TSX:APHA) Stock Rose 14% Last Week

Description

Last week was a good week for cannabis, with **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) posting record earnings and a number of other pot stocks rising in the markets. Although Aphria did not post any earnings last week, it actually rose more than Canopy did in the same period, gaining 14% to Canopy's 2.3%. On the surface, it would seem strange that Aphria would go on such a tear given that it released no major news. However, there are a few little-discussed things that happened recently that may have contributed to Aphria's unexpected rise.

We can start with one development that is unambiguously positive for the company and its shareholders.

Short-seller allegations rebuked

In December, Aphria shares tanked after a number of newsletters published negative reports about the company and announced short positions. One noteworthy report published by Gabriel Grego of [Quintessential Capital Management](#) went as far as accusing Aphria management of working against its shareholders. It was a major scandal at the time.

Fortunately, a recent independent review painted a much more moderate picture of what actually happened. Key to Quintessential's charges was the claim that Aphria paid too much for "worthless" companies and failed to disclose competing interests. Although the independent review did indicate that the prices paid were on the high side of fair, it did not indicate "stratospheric" overvaluation. Accordingly, the idea that Aphria bought worthless assets seems to have been rebuked.

Management shakeup

Another development that may have driven Aphria's rally is last month's management shakeup. Shortly after Quintessential's allegations were published, Vic Neufeld and a few other executives were ousted from Aphria, ushering in a new era at the company. Although Aphria's board claimed that the management shakeup was not due to the negative reports a company, it does indicate a desire for a change of direction. This provides hope that Aphria will invest more on growing organically than on

expensive acquisitions in the future.

Good news about legalization

A final point that may have driven Aphria shares up is the good news from Canopy, which showed that legalization has resulted in a [big sales boost](#) for that company. Although Aphria's own quarterly report for the first months of legal cannabis was taken as a disappointment, the big numbers from Canopy provide hope that the cannabis industry has a future.

Granted, Canopy has a special advantage when it comes to domestic legal cannabis sales, because of its Tweed retail stores. But the fact that customers are coming to the cash registers to buy legal weed shows that even with cheaper prices in the black market, there's a strong demand for the product. This is good news not only for Canopy, but also for any company that has entered the legal recreational cannabis market. The only question is whether other vendors in the cannabis space can compete with Canopy's massive production capacity and well-oiled retail sales machine.

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