



Aphria Stock (TSX:APH): Is the Worst Over for This Top Marijuana Stock?

Description

Aphria Inc. (TSX:APHA)(NYSE:APHA) has been through a lot in the past six months. This [top marijuana producer](#) has faced a powerful attack from a short-seller, and it successfully battled a hostile takeover bid with **Green Growth Brands Inc.**

The biggest threat came from an allegation by **Quintessential Capital Management** and **Hindenburg Research** in December. The short sellers blamed Aphria for overpaying for “largely worthless” assets in Jamaica, Colombia and Argentina when it acquired **LATAM Holdings Inc.** in September for \$298 million.

The allegation was so serious that it shook investor confidence in this Canadian marijuana producers at a time when large global players have started to look at the company for potential partnership.

But after more than two months, it seems Aphria is overcoming these challenges and putting behind that crisis of confidence. Since its December low, Aphria stock has gained 180%, suggesting the market is having second thoughts about the large cannabis producer after punishing it badly.

So, which of those factors are playing a role in improving investor confidence? In my view, the credit goes to the company’s board, which made accountable quickly those company’s directors who were involved in Aphria’s questionable deals.

According to a special committee report to investigate the allegations, Aphria paid an “acceptable” amount for Latin American assets, but also found that some directors had conflicting interests in the deal that weren’t fully disclosed to the board.

After that report, John Cervini, a co-founder of Aphria and Vice President of Infrastructure and Technology, was let go as a director effective March 1, but will remain in a “non-executive operational capacity.” Chief Executive Officer Vic Neufeld and co-founder Cole Cacciavillani, who announced their plan to transition out of executive roles, will also step down as directors and retire effective March 1.

These were big moves to handle Aphria's credibility issue upfront, and it seems they are helping put the company back on track. The other threat, which Aphria successfully warded off, was a very low ball hostile takeover bid by the Columbus, Ohio-based Green Growth as it tried to exploit Aphria weakness and its low share price.

What is next for Aphria?

Despite these crises, [Aphria is well positioned](#) to become one of the largest players in the medical market. The company acquired Nuuvera for around \$670 million last year to strengthen its international presence.

That move was negative at first, as it diluted the existing shareholders; the number of outstanding Aphria shares climbed about 28%. But in the long run, this deal makes Aphria a leading player in the growing German and Israeli markets.

Aphria's strong presence in the medical cannabis market and its investments in medical marijuana companies Liberty Health Sciences and Hiku Brands Co. are some of the assets that could still attract a large global brand to acquire the company and buy a substantial stake.

But after company's latest crisis, it may well take some time for such a deal to materialize. The best way forward for Aphria is to prove investors that its business is in strong hands. It's a legitimate candidate to take advantage of growing demand for cannabis globally.

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