



## Is It Safe to Buy Aphria (TSX:APH) Stock Right Now?

### Description

The marijuana sector has enjoyed a nice rally in 2019, and many [pot stocks](#) are enjoying share prices that are close to their all-time highs.

**Aphria** (TSX:APH)([NYSE:APH](#)), however, is actually lower than it was at this time last year, and investors are wondering if the troubled marijuana stock is a screaming buy today or a name that should be avoided.

Let's take a look at the current situation to see if Aphria deserves to be in your [cannabis stock](#) portfolio.

### Unpopular deal

Aphria took a big hit late last year after a known short-seller alleged the company had significantly overpaid for assets in Jamaica, Argentina, and Colombia as part of a deal that Quintessential Management claimed was done at inflated prices to benefit people connected to the company.

Aphria's stock had already been in decline amid a broad-based rout of the cannabis sector. The stock had traded above \$20 per share in September last year and was down to \$10.50 before the short-seller report came out. It then crashed to \$5 on December 5 before starting to climb back up after bargain hunters piled in on the hopes that the claims were either not valid or simply not relevant given the overall size of the company and its operations.

Aphria's CEO and founder Vic Neufeld stepped down in early January, and Aphria extended its recovery, topping \$14 in early February as a flood of money came into the sector. Since then, however, the stock has struggled, while many of its peers have continued to soar.

On April 12, the stock closed at \$13.40 per share. Aphria then reported results for the quarter ended February 28, and the stock got hammered.

The company booked a loss of \$108 million due to a one-time non-cash charge of \$50 million to write down the value of the assets that were the subject of the short-seller report. Aphria said this occurred

as the result of a request by the Ontario Securities Commission that the company conduct an impairment test on the LATAM assets.

The stock dropped to \$11.50 on April 15 and has continued to trend lower. At the time of writing, Aphria trades at \$9 per share. This puts its market capitalization at \$2.3 billion.

## Should you buy?

Cannabis companies need access to huge amounts of capital if they are going to survive. This has to come from a deep-pocketed partner or from investors willing to gobble up rounds of new equity. Both might be hard to find.

Aphria's reputation is damaged, and the writedown taken in the latest quarter isn't going to help. Investors and possible partners looking at the charge might be thinking they will take a pass.

The company, or at least its assets, could get sold as part of the ongoing consolidation in the cannabis sector, but contrarian investors shouldn't buy on the hopes of a big premium, and I wouldn't count on a major turnaround in the near term.

Things are moving quickly in the marijuana industry, and only a few major players are expected to emerge as winners. At this point, I would search for other investment candidates.

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