



Cannabis Investor Alert: Aphria (TSX:APHA) Is Correcting an Earlier Certification Mistake

Description

Management's strategic choices at the outset of a new business venture can significantly influence future financial successes or failures, and it's encouraging to see executives at a cannabis growth stock like **Aphria** (TSX:APHA)(NYSE:APHA) quickly learning from and correcting a seemingly early mistake made in 2018 to give the company a new market access.

I [questioned the company's choice](#) of a critical licensing and certification standard back in May last year and have been patiently waiting to see if management could ever get away with that tricky decision made during a "forced" strategic refocus, but I'm glad the shaken-up executive team is addressing the issue right now.

The mistake

At a time when Canadian marijuana players were divesting from any direct U.S. cannabis operations after a threat of potential de-listing by the TSX for conducting marijuana operations in a federally illegal territory, and while the other leading players (like **Canopy Growth**, **Aurora Cannabis**, the old MedReleaf, **Tilray**, and **Cronos Group**) were spending or had spent money hiring European inspection teams to get quality certifications that enable product sales in Europe, Aphria did the unthinkable.

Instead of getting a European Good Manufacturing Practices (E.U.-GMP) certification like the rest of the pack, the company decided to get its flagship facility certified under United States Food and Drug Administration (U.S. FDA) current GMP standards (cGMP), and I found this very intriguing and wondered if the company was still harbouring some U.S. expansion ambitions.

Europe — and especially Germany — has been a highly promising medical marijuana growth market, and the many certified cannabis distributors there have been heavily reliant on imports mainly from the Netherlands and Canada, yet local regulations there permit only pharmaceutical material from E.U.-GMP-certified facilities to land in the territory.

It's not like Aphria ignored Europe, as the company acquired Nuuvera, which had some E.U.-GMP-certified laboratory in Malta and a strong focus on the territory, but the company still can't export Canadian-grown product to Europe, because its grow facility lacks the prerequisite certification.

There was an exception once. Canopy Growth was allowed under a special deal to make a first shipment of Tweed-branded products into Germany before getting the quality control certification, but the company was to obtain the required status shortly.

The mistake will soon be corrected

In the recently reported year-end financial results, Aphria's latest Management Discussion and Analysis states that "the company is in progress of obtaining E.U.-GMP certification by the European Medicines Authority within its Aphria One and Avanti locations." This is significant news.

Management is finally getting the proper certifications for its target market, and the company could significantly expand its margins by channelling some product through the recently acquired medical distributor CC Pharma GmbH into over 13,000 potential pharmacies.

The company's E.U.-GMP certification will cover the extraction, post-processing, testing, packaging and shipping processes and could enable marijuana exports to Germany and surrounding markets while the company works on building local grow facilities after a big Germany production tender win in June this year.

Foolish bottom line

A proper certification should have been obtained much earlier, in my opinion, but I'm glad that the Irwin Simon led executive team is correcting the mistake and this may enhance sales growth.

It's better late than never.

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Date

2025/08/23

Date Created

2019/08/24

Author

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