

2 Interesting Developments on 2 Major Marijuana Producers This Month

Description

The local marijuana industry is still in a fast-paced development mode as the incumbent competitors vie for market share, both on the consumer market and on the investor market front. There have been two interesting developments with **Aurora Cannabis Inc.** (TSXV:ACB) and **Aphria Inc.** (TSX:APH).

Aurora Cannabis Inc.

The local marijuana industry's most aggressive kid — Aurora Cannabis — has finally come of age, way faster than its big brothers.

Aurora has just announced that it's finally graduating from the junior TSX Venture exchange (TSXV) to the senior TSX. The company has received conditional approval from the Toronto Stock Exchange to list its shares on the main TSX.

With this graduation, Aurora seeks to attract the more senior and savvy investors, especially institutional investors and money managers whose mandates and internal policies only allow them to invest in companies listed on the senior TSX.

The date for this graduation has not been given as of yet though, so the market may be given a clearer message on the issue in a short while. The CEO, however, says the final approval is "imminent."

Judging from history, Aphria announced its conditional graduation approval from the TSXV on February 6, 2017, and finally graduated on March 22, while **Canopy Growth Corp.** announced the granting of its conditional approval on June 6, 2016, and finally graduated on July 26 the same year.

Therefore, by simple inference, Aurora shares could be trading on the major TSX by late next month.

Institutional investors are believed to bring better price discovery on a stock and somehow bring some price stability on a ticker, but when they decide to exit, the stock may take a deeper plunge.

Aphria Inc.

Aphria seems to be increasing its pace on the United States-focused international expansion program announced April 4, 2017.

The company may have applied for a cannabis-growing licence in the newly legalized Ohio State market.

As one popular cannabis analyst, Alan Brochstein, CFA, has verified, Aphria has gone into a partnership with the well-known Schottenstein family of Ohio, and the two are reported to have applied for a Level I growing licence.

The Ohio State has 12 licences for grabs in two categories: Level I and Level II.

The data released by The Ohio Department of Commerce about applicants has Schottenstein Aphria LLC as one of the 109 Level I licence applicants.

Level I applicants will be allowed to grow from an initially capped capacity of 25,000-square-foot facility, while the smaller Level II applicants will have their production confined to a 3,000-square-foot growing space.

If the Schottenstein-Aphria partnership manages to grab one of the 12 licences in the applied category, then Ohio will become the third U.S state in which the marijuana producer will have a presence.

Curently, Aphria has operations in Arizona through its 18.5% stake in Copperstate Farms LLC, and in Florida through its strategic investment in Liberty Health Sciences Inc., set to trade a "Aphria USA."

Foolish bottom line

The above developments could be good news for investors in the two concerned marijuana producers, especially for Aphria shareholders if the company manages to grab a licence. Aurora investors may continue to see more institutional investors among them.

Institutional investors are big elephants; they could bring joy to shareholders as the stock price will track intrinsic value more closely, but should there be a wrong move from Aurora management, the resultant stock price plunge could be magnified as the elephants move out.

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