



## Aurora Cannabis Inc. Nosedives 14%: Is it Time to Ring the Register?

### Description

Shares of **Aurora Cannabis Inc.** ([TSX:ACB](#)) surrendered 14% in a day, as the high-flying cannabis and tech sectors sold off. The stock has tripled in just under two months, and in a previous piece, I'd warned investors that the stakes were raised after its vertical upward spike.

Many pundits believe that the entire cannabis industry is a bubble that's waiting to pop. While shares have surged above what's realistic, I believe cannabis stocks will perform well over the long run, but that doesn't mean a near-term correction isn't in the cards.

Cannabis stocks, like the effects of cannabis, usually have nasty hangovers after hitting euphoric highs. We've seen the cannabis industry suffer a correction earlier in the year after skyrocketing to new highs. Aurora and its competitor **Canopy Growth Corp.** ([TSX:WEED](#)) are two stocks that I'd [recommended on numerous occasions](#) during the volume dry up in the summer after the spring correction in cannabis stocks.

I mentioned that cannabis stocks would move higher due to [positive developments](#), and that's exactly what happened. There were more positive developments than I originally expected, however, and that's sent shares of all cannabis stocks to ridiculous new highs.

While I believe there will be many more positive developments as we approach legalization day and beyond, I think the stakes have been raised substantially and you'd essentially be attempting to catch a falling knife if you bought shares today, especially with negative momentum picking up.

I'd advise extreme caution if you're thinking about buying on any dips at the ~\$7 levels. For those investors who more than tripled their money in a few months, it'd be a prudent decision to take some profits off the table, especially since we may see Aurora correct to \$4 before legalization day arrives.

### CanniMed “scrambling” to fight off Aurora’s takeover bid

Aurora recently made a “generous” \$24 per share all-stock offer to acquire **CanniMed Therapeutics Inc.** ([TSX:CMED](#)), but CanniMed claims that the deal is bad for its shareholders. Management at CanniMed has since moved forward with a shareholder rights plan “to ensure that all shareholders are

fairly treated, well informed and not subject to coercive bids.”

CanniMed shareholders will be able to vote on the potential acquisition of **Newstrike Resources Ltd.** (TSXV:HIP), which, if approved, would likely cause Aurora to walk away from the potential takeover. Cam Battley, Aurora’s executive vice-president, still thinks that Aurora will get its way when all is said and done.

“We remain confident that we’re going to be able to make this go through and bring the CanniMed shareholders into the Aurora story.” said Mr. Battley. “CanniMed cannot remain simply a hobby company for its management team.”

This battle is heating up, and that’s adding even more volatility to Aurora shares. I don’t think it’s a huge cause for concern. If a deal doesn’t happen, I think that could be enough to push the stock of Aurora off the edge. It’s not a big deal, but investors are becoming unrealistic, and anything short of an overwhelmingly positive development may be treated as a reason for shares to plunge. And that’ll cause a chain reaction of selling activity.

### Bottom line

After announcing \$100 million in financing earlier in the year, it’s clear that Aurora is hungry for acquisition opportunities. While things are getting hostile with the proposed CanniMed takeover, I suspect Aurora shares will continue to be excruciatingly volatile in the near term, regardless of what ends up happening.

There are ample M&A opportunities out there, so investors certainly shouldn’t overreact if a CanniMed takeover isn’t done. The company will focus its efforts on consolidating the industry, and as it scoops up smaller players, shares will eventually get back into the green (after a potential correction).

With cannabis companies on the verge of another hangover, investors should remain patient and wait for another volume dry-up before returning. Shares have [surged as high as ~223% since my contrarian buy recommendation](#) a few months ago. I suspect another opportunity will present itself, so don’t fret over huge downward moves cannabis shares, as they will likely present another entry point at a later date.

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### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:WEED (Canopy Growth)

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