



Aurora Cannabis Inc. Investors: Watch Out for Higher Trading Volatility in the Stock This Week

Description

There could be heightened volatility in trade in **Aurora Cannabis Inc.** ([TSX:ACB](#)) shares during this week, as traders and investors bet on the very critical results of the **CanniMed Therapeutics Inc.** (TSX:CMED) shareholder vote on the acquisition of **Newstrike Resources Ltd.** (TSXV:HIP), and as they fully price in the potential impact of the latest CanniMed lawsuit.

CanniMed shareholders will conclude the casting of their votes on the proposed takeover of Newstrike on Friday, January 19, 2018 by 10:00 am (EST), while management at CanniMed recently announced their intent to file a civil lawsuit against Aurora, several institutional investors, and two directors who worked with Aurora in formulating its hostile bid.

Shareholder vote

Aurora's continued pursuit of a CanniMed takeover is contingent on the outcome of the critical shareholder vote this week.

If CanniMed shareholders approve the Newstrike takeover, Aurora's bid for CanniMed will have flopped, and the predator may have to walk away empty handed from a noble attempt to create the second-biggest cannabis company in Canada behind **Canopy Growth Corp.**

Aurora has so far bought 689,800 CanniMed shares for a total consideration of about \$15.89 million over the last few weeks in support of its hostile bid to acquire all outstanding shares of CanniMed in a move that is supported by a significant number of institutional investors, who'd held 38% equity in the target at the time of Aurora's bid announcement.

CanniMed lawsuit

Aurora shareholders will also be assessing the potential impact and merits of the yet-to-be-served \$725 million lawsuit from CanniMed.

CanniMed announced on January 12 its serious intention to serve Aurora, several other institutional

shareholders, and two directors with a civil lawsuit alleging that they inappropriately connived against CanniMed while entering a shares lock-up agreement during the formation of the hostile takeover bid.

Things could get more interesting if CanniMed shareholders vote against management's deal with Newstrike. Aurora's bid will have more chances of success, and there may be no reasonable point for CanniMed to pursue a retaliatory civil lawsuit against its potential parent company.

CanniMed alleged "multiple claims of wrongdoing related to Aurora hostile bid" in its press statement on Friday. It will be up to the courts to determine if there are reasonable grounds for the case to progress; the suit may be dismissed.

The target company is fighting tooth and nail to fend off the predatory Aurora, but the best defences that CanniMed should have done must have been executed prior to any hostile takeover bid. Such moves may have grown the share price enough to please the large institutional shareholders currently backing Aurora's bid.

One thing is clear though: institutional investors can significantly influence corporate governance in a listed firm if they control a sizeable stake.

Investor takeaway

Canadian marijuana stocks experienced some price weakness during the last three trading days of last week. Valuations are still potentially in bubble territory, and the current correction may still go on in the near term. Aurora shares lost 30.65% from their all-time high of \$14.88 reached this January to close at \$10.32 last week, and trade could be more volatile this week.

I do not recommend a panic sell at this point, as a failed CanniMed-Newstrike deal on Friday could significantly boost Aurora's chances of acquiring the priced target, and the stock may significantly rebound and [potentially outperform peers](#) again this year.

Should CanniMed win shareholder approval for its proposed Newstrike deal, however, Aurora stock may tumble further, and the former will have more vigour in pursuing the lawsuit, as management may wish to settle personal scores against the named directors, Aurora, and the shareholders identified.

Investors should closely watch the developments as they unfold during the week.

Most important though, [the proportion of marijuana stocks in your investment portfolio should be closely monitored](#), as it could introduce stomach-churning volatility in your overall net worth and hinder you from sleeping well at night.

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