

# Aurora Cannabis Inc. Stock Shakes Off a \$725 Million Lawsuit: Is it Still a Buy Right Now?

## Description

**Aurora Cannabis Inc.** ([TSX:ACB](#)) stock jumped 11.43% on January 15 to close at \$11.50. News broke after trading halted on January 12 that **CanniMed Therapeutics Inc.** (TSX:CMED) opted to launch a \$725 million lawsuit against Aurora, alleging wrongdoing in its attempted takeover. Many analysts and market watchers are anticipating a [volatile week for Aurora](#).

The lawsuit represents the culmination of a months-long battle between Aurora and CanniMed. Aurora, for its part, has been content to let the process play out since it launched its takeover bid in November. CanniMed leadership has been vocal in protest, and dismissed Aurora as an inflated stock when the bid was originally announced.

In late December, Aurora announced that it had scored a number of legal victories against CanniMed after hearings before the Financial and Consumer Affairs Authority of Saskatchewan and the Ontario Securities Commission (OSC). They rejected the Aurora application to shorten the minimum deposit period to 35 days, but ruled in its favour in all other applications.

Regulators rejected the CanniMed assertion that Aurora placed an “insider bid,” and they also rejected the CanniMed application to restrict normal course purchases of CanniMed shares on the open market by Aurora. On January 15, Aurora purchased 10,800 common shares of CanniMed in connection with its takeover bid.

The most recent lawsuit was filed in the Ontario Superior Court of Justice. The lawsuit alleges that Aurora was in breach of confidentiality, intentional interference with economic relations, conversion, and a number of other violations of the Ontario Securities Act. The lawsuit also alleges a civil conspiracy among Aurora leadership, shareholders of CanniMed, and several other companies. The action has yet to be served.

Aurora stock was flat for much of December in anticipation of the decision from regulators. The stock opened at \$7.61 on December 27, the day the regulators’ decision was released, and it has since climbed 50%. Now, Aurora has dropped 17% week over week, even after the jump on Monday. Anxiety over the scorching hot cannabis market and a [move against legal pot south of the border](#) has seemingly affected investor sentiment.

So, should you be piling up Aurora stock right now?

Aurora leadership has been dismissive regarding the \$725 million lawsuit from CanniMed. “Things are a mess over there,” said Aurora chief corporate officer Cam Battley. “They should have remained private ... they have exposed themselves to the realities and the discipline of the market.” The market reacted accordingly, and seemed to ignore the news as Aurora rose with other cannabis stocks to start the week. CanniMed stock was up 2.29% on the day.

On January 2, Aurora reported that it had sold \$3.1 million worth of cannabis in November 2017. This represented its highest revenue ever recorded in a month. As we approach recreational legalization on July 2018, it is worthwhile to reflect on the production capacity at Aurora. Currently, the company is capable of producing over 200,000 kg of cannabis annually. It now boasts a market cap over \$5 billion.

We can also compare Aurora stock, which is positioned as the second-largest producer in the country to **Canopy Growth Corp.** and third-largest to **Aphria Inc.** — valued at \$36.50 and \$21.70, respectively. As institutional and retail investors continue to pile in to the industry, Aurora is still appealing in the short to medium term at its current value.

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aocallaghan

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