



Aurora Cannabis Inc. to Acquire CanniMed Therapeutics Inc. in Friendly Deal

Description

After months of drama, it looks like the cannabis industry's soap opera is finally ending. It was announced on Wednesday that **Aurora Cannabis Inc.** ([TSX:ACB](#)) had reached a friendly deal to acquire **CanniMed Therapeutics Inc.** (TSX:CMED) for a value of \$1.1 billion.

Previously, Aurora sought to acquire CanniMed in a hostile takeover [after its first attempt at a friendly deal failed to succeed](#). After a public feud that involved CanniMed filing a lawsuit against Aurora for damages as a result of the takeover, the tide started to turn last week. Rumours were swirling that Aurora was looking to purchase both **Newstrike Resources Ltd.** (TSXV:HIP) as well as CanniMed, [but under a friendly deal again](#).

However, Newstrike has been left out in the cold on this one, as CanniMed has agreed to abandon its acquisition of Newstrike, which will require it to pay \$9.5 million in fees.

Big improvement in the offer

After initially offering \$24 a share for CanniMed, Aurora has agreed to pay \$43 a share under this deal, which amounts to an increase of nearly 80%. CanniMed shareholders that hung on for the ride were rewarded handsomely; in three months, the stock grew from less than \$12 to now being valued at \$43 for an increase of more than 265% in just three months.

Did Aurora pay too much?

CanniMed has just \$15 million in revenue in the trailing 12 months, and it has posted losses of \$28 million during that time as well. At a \$1.1 billion valuation, Aurora has paid a multiple of ~73 times CanniMed's annual sales, which is actually not high for a cannabis industry, where we've seen multiples north of 100.

Although it may seem high to investors, given the industry's high values and what Aurora believes CanniMed can add to the table, it's a bit surprising, but it shouldn't be shocking.

What does this mean for the industry?

Now that CanniMed and Aurora are one big happy family, **Canopy Growth Corp.** ([TSX:WEED](#)) is now in danger of losing its place as the top pot stock in the industry and as overall market leader. Recently, we've seen Canopy's stock start to slow down, and that could be a sign that it is leveling off and has reached a ceiling at ~\$37.

In trading on Wednesday, Canopy's stock was down 2%, as investors may have decided to jump ship to its competitors. Investors may be wondering why the company is not planning to make a big splash with an acquisition itself; after all, there are plenty of opportunities to do so in what's become a very fragmented industry.

The Aurora-CanniMed deal is the biggest acquisition we've seen so far in the early days of the pot industry, and there are still likely more deals to come.

Perhaps most intriguing is what will happen with Newstrike. The company, which must feel like it has been the third wheel in a spat between Aurora and CanniMed, has been left out in the cold. It could be an opportunity for one of the other big players in the industry, whether it's Canopy or perhaps **MedReleaf Corp.** (TSX:LEAF), which focuses on medicinal marijuana, to swoop in and acquire the company.

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