



## Canopy Growth Corp. Soars 10% on Friday While Aurora Cannabis Inc. Dilutes Shareholders

### Description

With **Canopy Growth Corp.** ([TSX:WEED](#)) rallying more than 10% on Friday as the company continues to make traction in the ever-expanding marijuana industry, it's a good time to revisit the stock.

Now sitting at \$35.00 per share, the stock has a one-year return of 256%, trading at a price-to-sales multiple of 105 times.

The good news has kept coming for Canopy.

The company recently announced that it has signed up Prince Edward Island to provide it with cannabis once it becomes legal. It has already signed up to supply other provinces such as New Brunswick, Newfoundland, and Labrador.

Another big news story is GMP Securities and Bank of Montreal underwriting a \$175 million stock sale recently, marking a big first as it represents a shift in the big banks and their acceptance of the companies in the [cannabis sector](#).

The big banks' involvement could prove a source of comfort for investors, but it could also be a sign that a meltdown will happen sooner than later.

Think back to the dot-com bubble. There was no shortage of banks and brokerages scrambling to raise money for all sorts of companies seeking to get in on the action and profit from the big bucks. That didn't stop the meltdown. Rather, it probably foretold it.

As for **Aurora Cannabis Inc.** ([TSX:ACB](#)), and the **CanniMed Therapeutics Inc.** (TSX:CMED) saga, the most recent turn of events was disappointing, as the business decision to pay up for Cannimed was the wrong one in my view.

Aurora effectively increased its offer price from the initial \$24 per share back in November to \$44 per share recently. That's almost double the initial offer, and shows little discipline or patience.

The company is clearly motivated to increase its scale and presence at all costs, which is never a good thing.

This lack of discipline will cost shareholders, as the company will pay for this inflated price tag with cash and the issuance of between 72 million and 84 million of Aurora common shares. Given that the company currently has 452.7 million shares outstanding, this represents a 16% to 19% increase in outstanding shares.

In summary, as an observer of the marijuana industry, I find it exciting to witness the birth of an industry, and as the future successes and challenges play out over the next while, it will be very interesting to see where the dust settles.

But as an investor, I'm hesitant to put my hard earned-money into these stocks, which have heightened business risk, sky-high valuations, and a big lack of visibility.

There are many other stocks with a much [better risk/reward proposition](#).

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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