



Will “Aurora Sun” Heat Up Aurora Cannabis Inc. Stock This Summer?

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) has been really active over the past year, giving **Canopy Growth Corp.** ([TSX:WEED](#)) a good run for the title of Canada’s largest pot stock by market cap. While the recent shareholder-dilutive acquisition of CanniMed Therapeutics appeared to be a questionable move that didn’t at all consider value, shareholders may soon forget about the deal, instead focusing their attention on what could be another wave of positive developments that could send the stock blasting past all-time highs.

Aurora appears to be the fastest-growing cannabis player as we inch closer towards nationwide legalization; however, all pot stocks have been falling knives since hitting a peak earlier in the year. Moreover, Aurora shares have clearly suffered from an elevated magnitude of losses in the most recent correction or “industry hangover” than that of Canopy stock, opening a window of opportunity for traders looking for the most short-term upside from a potential V-shaped industry-wide bounce-back.

Will Aurora Sun heat up shares in 2018?

Aurora recently stated that it’s acquiring 29 hectares of land in Medicine Hat to build another massive growth facility to complement its Edmonton-based “Aurora Sky” project.

The newly announced project, code-named “Aurora Sun,” will reportedly be 50% larger than the 800,000-square-foot “Aurora Sky” project and will include similar technologies that will allow for high efficiencies and a low cost per gram of cannabis. The completion of the new facility is slated for 2019 and is projected to increase Aurora’s capacity by ~430,000 kg/year.

While I’m not a fan of M&A activities performed after the industry experienced a parabolic surge, the recent jaw-dropping capacity expansion plan, I believe, can only serve to light a match under the stock once industry euphoria begins to pick up again.

If cannabis is nothing more than a commodity, Aurora stands out

In a regulatory environment where cannabis is just a commodity, Aurora could become a major winner over the first three to five years in the post-legalization era if you, like many analysts, believe there will

be a severe cannabis supply shortage for years after legalization day. In this scenario, Aurora may offer investors with the greatest deal of upside.

Not only will Aurora challenge Canopy with a massive production capacity in the years following legalization day, but given the technologically advanced features within its facilities, it certainly looks like Aurora may also give **Aphria Inc.** (TSX:APH) a good run for its money on the efficiency front.

Before you back up the truck on shares, though, you should know that there are [alternative scenarios](#) that could end up panning out in the post-legalization era that could catch everybody off guard and cause [immense pain](#) for all pot investors. As such, I'd urge investors to only bet what they're willing to lose or to only play with the house's money should they be fortunate enough to double, triple, or quintuple up.

Aurora stock has been punished and is now down ~36% from its January 2018 peak. It's clear that shareholders didn't appreciate the dilutive acquisition, which could have been executed at a far better price had management been more patient. To Aurora's management team, though, CanniMed appeared to be a missing piece to the puzzle, and that the fear of missing out if another firm scooped CanniMed up caused the company to pull the trigger in spite of the sky-high premium multiple.

Catch the falling knife today? Or wait it out?

The completion of Aurora Sky and the announcement of Aurora Sun will not stop the bleeding until the industry has a chance to get over its hangover, which could last well into the summer. The summertime has historically been a seasonally weak period for cannabis stocks, thanks in part to the reduction in market-wide trading volumes.

Such cannabis corrections are typically followed by parabolic surges at the end the year. As such, I'd wait until the second half of the year before nibbling away at shares of any pot stocks.

For those seeking the greatest short-term upside, Aurora could be the stock to keep on your radar. And if you're a long-term investor who believes the regulatory environment will gradually ease, it's Canopy that should be on your watch list.

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joefrenette

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