

Should Investors Buy the Canopy Rivers Corp. (TSXV:RIV) IPO While it's Hot?

Description

Canopy Rivers (TSXV:RIV), **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC)'s venture capital spin-off, is going public Thursday morning at a time when industry-wide euphoria is at jaw-dropping highs.

As you'd imagine, the Rivers IPO's probably ridiculously oversubscribed, and as with most IPOs, the odds of a big boom and bust are absurdly high.

While you may think you're getting a front-row seat to the boom by purchasing shares after the initial offering, the reality is that you could be the one left holding the bag if the tides suddenly decide to turn, as in the case of Australis Capital, the U.S. and real estate spin-off of [Aurora Cannabis](#) ([TSX:ACB](#)).

Australis Capital went public at \$10, a whopping 50 times more than the \$0.20 private placement. Talk about a cash grab! Australis shares plunged 71% on Wednesday to finish at around \$3 per share. If you bought into that IPO, then I'm sad to say you got what was coming.

A smart move for Canopy, but should you participate in the IPO while it's fresh?

While Canopy's VC model is a smart way for the firm to get a closer look at the up-and-coming talent that's out there, investors should keep their FOMO (fear of missing out) mentality in check.

While the opportunity to get rich overnight is real, you shouldn't feel obligated to purchase shares at or above the IPO price because odds are you'll be able to obtain shares at a fraction of the IPO price if you just waited patiently on the sidelines, as in the case of Australis.

While Canopy Rivers may not flop as violently as that of Australis, investors must be comfortable with the possibility of losing most of their investment in a single day.

Canopy Rivers is trading on the venture exchange for a reason. It's highly speculative, and massive trading volumes are likely to cause spark trading halts throughout the day.

I'd be surprised to see Canopy Rivers get through its first day without any sort of intermediary interaction to keep trading activities in check!

Foolish takeaway

Most investors should take a rain check on the Canopy Rivers IPO.

It's a [pot stock on steroids](#) that could really blow up after you've secured shares for your portfolio. So, unless you've got a wealth of experience trading hideous-looking penny stocks, I'd steer clear – at least until the dust settles.

While the current constituents of the Canopy Rivers family may be of higher quality than other TSXV or CSE-traded names out there, the premium you'll end up paying may be too high in the initial stages.

Stay hungry. Stay Foolish.

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2. TSX:ACB (Aurora Cannabis)
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