



3 Takeaways From Aurora Cannabis's (TSX:ACB) Founder's Massive Stock Sale

Description

Aurora Cannabis's ([TSX:ACB](#))(NYSE:ACB) founder, director, and former CEO Terry Booth has made a massive sale of 12,161,900 shares on his Aurora Cannabis stock position on the open market over the past few days. Should investors read much into this corporate insider's latest move?

Mr. Booth made four separate large sell transactions of millions of Aurora shares at stock prices ranging between \$1.34 and \$0.92. The transactions comprised two-thirds of his position in the company's equity.

The company reported these latest developments way before market open on Monday. The founder had sold the largest block of shares (5,000,000) at a share price of \$0.925 on the same day.

Aurora management says the sale transaction is in connection with a [previously announced transition plan](#).

Should Mr. Booth be selling Aurora Cannabis stock right now?

Mr. Terry Booth announced his quick retirement from his CEO position early in February this year. The company announced a succession plan, which relegated him to the strategic advisor position while still maintaining a board seat.

Aurora announced massive asset writedowns and layoffs in February in an apparent strong-willed strategic change that is taking place at this once aggressively growing marijuana firm.

The company's strategic focus has shifted from aggressive growth to cash flow preservation and a restrained organic growth path, which is a traditional cautionary approach that start-ups in nascent industries take when faced with a not-so-enthusiastic capital market, a weak balance sheet, and a slower-than-desired market demand growth.

It can be argued that the company no longer saw its founder as a good fit for its future strategy as it changed course. But the question is, does Mr. Booth still believe in his darling "baby's" future at this

time?

The founder's sudden sale of Aurora Cannabis stock could be a significant show of disappointment in the business. It could show a low conviction in its new turnaround strategy, which the interim CEO described as "progressing as planned toward appropriate capital allocation, balance sheet strength, and profitability."

Entrepreneurs naturally do this sometimes

I would describe Terry Booth as an entrepreneur. Sometimes, entrepreneurs don't like losing control of their businesses. To some, entirely exiting an equity position is just part of the departure process when leaving a founded company's leadership role.

That said, the former CEO still holds millions of shares in the company.

Mr. Booth still indirectly holds 3,246,267 shares, 7,251 common share rights, and over 2,548,878 Aurora stock options to his name.

Perhaps it's just a retirement decision

Corporate insiders can sell stock for several strategic and personal financial reasons.

When retiring, some significant investment portfolio asset-allocation decisions should be made. These should be made urgently if one finds himself immediately going into retirement, like Terry Booth did last month.

Holding a large concentrated position in a cannabis stock that pays no dividends, and in a company that is going through a high-risk strategic refocus program while faced with severe liquidity challenges, is not a great idea at retirement. Financial advisors will be at pains to let one see the lifestyle and capital risk associated with such a position.

One approach is to reduce portfolio volatility by divesting the position and investing in more stable income-producing assets. Asset classes like bonds, REITs, GICs, and defensive dividend stocks can offer respectable income yields while diversifying portfolio risk.

Perhaps Mr Booth made a sound retirement decision in divesting from a cannabis position. Perhaps he was only re-deploying his nest egg, and investors shouldn't read too much in the retired gentleman's portfolio.

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