

Canadian cannabis firms agree to merge to create pot giant

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Two Canadian cannabis companies announce a merger, the largest yet in the country hot cannabis industry

Canadian cannabis grower and seller Aurora Cannabis announced Wednesday a friendly acquisition of CanniMed Therapeutics in a deal valued at an estimated Can\$1.1 billion (US\$890 million) to create a global pot behemoth.

The deal is the largest yet in Canada's hot cannabis industry, which has seen stocks soar in anticipation of the country's legalization of marijuana for recreational use later this year, and creates one of the largest producers of cannabis in Canada alongside competitor Canopy Growth.

The move also ends months of friction between the two over Aurora's earlier hostile attempts to swallow up its rival, while putting an end to CanniMed's plans to acquire Newstrike Resources.

"We are very pleased to have come to terms with CanniMed on this powerful strategic combination that will establish a best-in-class cannabis company with operations across Canada and around the world," Aurora chief executive Terry Booth said in a statement.

Under the terms, Aurora agreed to pay Can\$43 in cash and shares for each CanniMed share—nearly double its original offer.

This represents a 181 percent premium over CanniMed's closing [share](#) price mid-November when merger talks were announced.

At around 1530 GMT on the Toronto Stock Exchange, CanniMed shares jumped 16 percent to Can\$43.55 while Aurora stock traded up slightly at Can\$14.86.

The deal still requires regulatory approval.

To cancel its purchase of Newstrike Resources, CanniMed also agreed to pay a Can\$9.5 million break fee to Newstrike Resources.

Canada is expected to pass legislation to legalize recreational-use marijuana effective July 1, but complications in setting up distribution and effective controls could delay the launch.

According to government estimates, as many as 4.6 million Canadians will consume an estimated total 655 metric tons of cannabis annually by 2018, spending an estimated Can\$4.2 billion to Can\$6.2 billion each year.

More than 80 cannabis companies are publicly traded in Canada, with a total estimated market capitalization in the tens of billions.

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