



Aurora Cannabis Inc. Surges ~153% in a Month: Can it Catch Up to Canopy Growth Corp.?

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) shares are up a whopping ~153% over the past month. The company is making a very strong case for why it should be Canada's number one cannabis producer come legalization day. With a market cap just shy of \$3 billion, Aurora is breathing down the neck of **Canopy Growth Corp.** ([TSX:WEED](#)), whose market cap is currently at the ~\$3.6 billion mark.

The cannabis industry is incredibly volatile, but what other industry are you going to see triple-digit growth numbers? There are concerns that the entire weed industry is in a speculative bubble, but, unlike cryptocurrencies, the opportunity is easier for investors to understand. The opportunity is massive, but so are the risks. As an investor, you should only invest your "mad money" and not the core of your portfolio, especially if you're in retirement-preparation mode.

Weed stocks are far better bets than cryptocurrencies at this point, but they're still speculative, and with such a massive run over the past few months, the possibility of a correction is likely. However, I believe such a correction represents a long-term buying opportunity for patient investors willing to ride out the fear that'll likely follow the greed we're experiencing today.

What is fuelling Aurora's recent run?

There was already a tonne of investor euphoria for the cannabis industry following several positive developments, but Aurora has some developments of its own that caused the stock to rocket at a faster rate than its peers over the last month.

It all started with a **Hempco Food and Fiber Inc.** (TSXV:HEMP) approval by its shareholders for Aurora to have a stake in the company. This investment will give Aurora increased exposure to the CBD-based products market, as I've explained in a [previous piece](#). When investors think about cannabis producers, they think buds and THC, but it's also important to realize that CBD is a compound with promising medicinal applications of its own, and Aurora has a front-row seat in the CBD market with its latest investment.

More recently, Aurora announced plans to acquire **CanniMed Therapeutics Inc.** (TSX:CMED), which was a deal that would offer Aurora not just synergy opportunities, but the potential to challenge Canopy, the [current king of the cannabis space](#).

CanniMed didn't appear to be interested in Aurora's formal proposal. CanniMed has since reached an agreement to acquire **Newstrike Resources Ltd.** (TSXV:HIP), which may cause Aurora to look elsewhere for other M&A opportunities in the red-hot cannabis space.

Is Aurora going on an acquisition spree?

Investors are euphoric over a potential M&A spree that Aurora is capable of. There are a tonne of smaller players out there, and under the Aurora umbrella, most of these smaller players could operate in a more efficient manner. It's a typical M&A scenario — acquire, drive synergies, profit, and repeat.

Aurora recently received \$100 million in financing in early November, adding to the company's cash position, which will be used for acquisitions. Even without the CanniMed acquisition, Aurora is a hot pick right now with its near-term acquisition plans.

Bottom line

Aurora is speeding out of the gate as it looks to bulk up to better compete with Canopy. While there are many reasons to be bullish on Aurora and its recent run, it's important to note that all the positive developments are already baked in to the stock right now.

Should another acquisition be announced, I suspect shares will continue to fly higher; however, once the dust settles, a correction could be in the cards. I don't suspect Aurora will go on a reckless debt-fuelled M&A spree, like **Valeant Pharmaceuticals Intl Inc.** did a few years ago. Management is looking for value in its acquisitions, so I don't think they'll overpay for deals just to move the stock higher over the short term, especially since its sights are set on smaller players in the space.

Aurora is a solid business, but investors should expect a rockier road going forward. Personally, I think the stock is too hot to handle, and I'd prefer buying on dips, which may happen once the frequency of positive developments slows down.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:ACB (Aurora Cannabis)
3. TSX:BHC (Bausch Health Companies Inc.)
4. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/17

Date Created

2017/11/30

Author

joefrenette

default watermark

default watermark