

## Year in Review: My Top Marijuana Growth Stock for 2017

### Description

Since February 6, 2017, **Aurora Cannabis Inc.** ([TSX:ACB](#)) has been [my top marijuana growth stock](#) pick for the year 2017.

Investing in cannabis stocks has been very rewarding in 2017, as the return of a bullish sentiment on Canadian marijuana stocks lifted equity valuations from their mid-year lows to all time highs, as investors look forward to federal recreational legalization of cannabis this summer.

### Did Aurora outperform?

Indeed.

Aurora's stock closed up 310% from its \$2.34 per share trading price on February 6. Shares traded up 7.38% to \$9.60 on December 29, the last trading day of the year, in an extremely volatile trading session.

In comparison, marijuana sector leader **Canopy Growth Corp.** ([TSX:WEED](#)) stock was up 155.72% during this time frame, and **Aphria Inc.** (TSX:APH), another close competitor to Aurora, gained 251.50% during the same period.

Aurora had the fastest share price growth among the big four cannabis players in Canada, as it managed to aggressively grow its marijuana business portfolio and surpass Aphria, both in revenue generation and market capitalization, to become the second-largest marijuana stock on the TSX.

### Notable performance areas

Aurora had some significant 63.9% growth in active registered patient numbers during the year from 12,200 active patients by December 31, 2016, to more than 20,000 active registered patients by November 8, 2017.

The company's revenue growth performance has been impressive, as sales grew 329% to \$19.36 million in the first nine months of 2017 from just \$4.51 million in the comparable period in 2016.

The average price per gram of cannabis sold saw significant marginal increases quarter on quarter, strengthened by high value cannabis oil sales and a mid-year product price increase by \$1 a gram on dried cannabis.

The continued sequential decline in cash costs of production per gram during the year was a good sign of progress. This could accelerate with increased production volumes as new facilities, Aurora Sky (800,000 square feet) and Aurora Vie (40,000 square feet) begin production this year.

The company's Germany growth strategy did pay off, with its subsidiary Pedanios GmbH contributing \$1.25 million in export revenues in the quarter ended September 30, 2017, significantly better than

Canopy's \$78,000 in export revenues during the same quarter.

## Mergers and acquisitions

Aurora was very active in the mergers and acquisitions front during 2017. The acquisitions of BC Northern Lights Ltd. and Urban Cultivator Inc. enable it to capture the home grow market. Its investment in **Hempco Food and Fiber Inc.** [was a strategic move](#) to diversify revenue sources and secure some cheap CBD extracts from hemp upon recreational legalization.

The acquisitions of bankrupt Peloton Pharmaceuticals Inc. and H2 Biopharma added two new facilities to Aurora's productive asset portfolio, while the acquisition of Larssen Projects also enables Aurora to cheaply expand grow facilities in house.

Aurora's investments portfolio greatly outperformed in 2017, returning the company a 342% gain on the \$40.5 million invested in **Cann Group Ltd.** of Australia, **Radiant Technologies**, and Hempco.

Most noteworthy, the current hostile takeover bid for **CanniMed Therapeutics Inc.** (TSX:CMED) is becoming tilted in Aurora's favour after recent legal battles, as CanniMed's defensive tactics are proving not enough to deter the younger predator.

## Looking ahead

Aurora's bloated outstanding share count was very dilutive. Aurora grew outstanding shares by 59% from 285 million shares on December 31, 2016, to the 452.73 million quoted by TMX Money on December 29.

More dilution is likely, as earlier equity raises had attached warrants with very low strike prices, which are now in the money after the recent share price jump and will most likely get exercised.

On the positive, Aurora had about \$320 million in cash as of December 31, 2017, and \$179.2 million in marketable securities, enabling it to fund further territorial expansion in the global marijuana space.

Aurora and CanniMed may end up in a negotiated friendly merger, boosting Aurora's challenge to Canopy's cannabis dominance. However, Aurora's share price may become extremely volatile, as the tender offer period lapses. The stock may significantly fall should CanniMed's shareholders vote in favour of a **Newstrike Resources** deal.

Aurora's stock price may continue to grow in 2018, but the valuation has entered bubble territory, and corrections may be overdue.

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1. Editor's Choice

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brianparadza

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