



Cannabis Investors: The Arms Race Continues as Aphria Inc. Acquires Another Company

Description

The ink has barely dried from the huge pot deal between **Aurora Cannabis Inc.** ([TSX:ACB](#)) and **CanniMed Therapeutics Inc.** (TSX:CMED), and we have yet another deal in the cannabis industry. **Aphria Inc.** (TSX:APH) announced this week that it was acquiring **Nuuvera Inc.** (TSXV:NUU) for \$826 million, which is less than the [\\$1.1 billion](#) that Aurora acquired CanniMed for.

Aphria hopes this deal will grow its presence outside its domestic borders, as CEO Vic Neufeld stated that the deal “positions us to grow internationally and realigns the potential of these emerging cannabis markets.” The company has slowly been working on building its brand around the world with agreements in Australia, and its investments in the U.S., [which got the attention of the TSX](#). Nuuvera will complement those positions, as it has partners in Israel, Italy, and Germany.

However, this is just the start, as Neufeld went on to say that “I would hope to show you that in one year we have 20 countries under licence.” With the Canadian market for pot being an estimated \$5.7 billion, and the U.S. still being many years away from any sort of expansion, cannabis companies will have to look overseas to find real growth opportunities, and that is exactly what Aphria is hoping to accomplish.

Does this justify Aphria’s high valuation?

At a market capitalization of more than \$3 billion, Aphria trades at more than 110 times its sales in the past 12 months, and investors are paying a big premium for one of the few profitable pot stocks on the market. The purchase of Nuuvera could help open more avenues for Aphria to expand its business, but at this point it is too early to tell how many doors this will open. Nuuvera boasts that it is the first Canadian company to obtain a licence in Italy for selling pot through the acquisition of a Genoa-based company.

However, it’s hard to assess the big price tag for Nuuvera, because it’s a struggle to even find financial information about the company. From an investor’s point of view, I’m still trying to figure out what exactly Aphria paid for, and that makes Aurora’s purchase of CanniMed, a company that has produced

sales of more than \$15 million in the past year, seem like a bargain in comparison. Investors have not been impressed, as Aphria's share price has taken a dive since the announcement to purchase Nuuvera.

Are more acquisitions to come?

Earlier this month, Aphria also signed a deal to purchase Broken Coast, a cannabis company out of Vancouver Island, for \$230 million. However, this could just be the start, as hype around the legalization of marijuana is fueling a lot of excitement, and we are seeing more producers enter the market in the hopes of gaining market share. The problem is that this has resulted in a flood of companies and made for a very fragmented industry. It is inevitable that we will see more acquisitions by companies like Aurora and Aphria take place, as companies look to strengthen their positions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/27

Date Created

2018/01/31

Author

djagielski

default watermark

default watermark