



Aurora Cannabis Inc. to Acquire up to 40% of Liquor Stores N.A. Ltd.

Description

What?

Liquor store operator **Liquor Stores N.A. Ltd.** (TSX:LIQ) saw its name in the headlines on Monday following an announcement that **Aurora Cannabis Inc.** ([TSX:ACB](#)) has agreed to make a strategic investment to “establish and launch a leading brand of cannabis retail outlets.” Liquor Stores’s stock responded by rising 2.05% in the day’s trading session, while Aurora’s responded by soaring 8.82%.

So what?

Aurora will acquire up to a 40% equity interest in Liquor Stores by way of a non-brokered private placement. Aurora’s initial investment will be \$103.5 million in return for 6.9 million of Liquor Stores’s common shares at a price tag of \$15 per share, which represents a total ownership interest of approximately 19.9%.

The initial investment is expected to close on or about February 14, and the additional investments Aurora plans to make to bring its ownership stake to 40% are subject to approval by Liquor Stores’s shareholders, so this should come shortly after Liquor Stores’s next annual general meeting.

The ultimate plan is for Aurora and Liquor Stores to convert some of Liquor Stores’s existing locations into cannabis retail outlets, while also establishing new outlets and renovating existing liquor store outlets.

Commenting on the transaction, Terry Booth, Aurora’s CEO, stated the following:

“The private placement with Liquor Stores is transformational in scale and scope for Aurora, Liquor Stores and the cannabis industry in Canada, providing the opportunity for our companies to establish a leading private retail footprint in Western Canada ... This is an extremely significant step in our corporate development, as we prepare with our partners at Liquor Stores to bring the Aurora Standard in product quality, customer care and strategy execution to the pending legal consumer cannabis market.”

Now what?

Aurora has been very active in the massive consolidation of the cannabis industry, with [deals that include](#) its acquisition of Larssen Ltd. and H2 Biopharma in 2017, and [its recently announced](#) acquisition of **CanniMed Therapeutics Inc.** I think its deal with Liquor Stores is its best yet, because it has the potential to be a catalyst of major growth [when recreational cannabis](#) is legalized, which is expected to occur before the end of 2018.

I also think this deal is fantastic for Liquor Stores, because it has the potential to become one of Canada's leading retailers of both liquor and marijuana, which could propel it to record financial results for many years to come.

With all of the information provided above in mind, I think Foolish investors should consider initiating long-term positions in Aurora or Liquor Stores today.

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