



## Will Aurora Cannabis Inc.'s Recent Moves Make it a Market Beater With Huge Upside in 2019?

### Description

**Aurora Cannabis Inc.** ([TSX:ACB](#)) has really been making the headlines of late with its recent moves, including signing on a high-profile distributor in Shoppers Drug Mart of **Loblaw Companies Ltd.**, finally acquiring **CanniMed Therapeutics Inc.** ([TSX:CMED](#)) after a lengthy hostile pursuit, and buying a minority stake in **Liquor Stores N.A. Ltd.** ([TSX:LIQ](#)).

At this point, it's clear that such developments are driving the broader cannabis market higher, and although Aurora's recent moves may seem positive, I'd urge investors not to become overly exuberant, as I think Aurora's management team may be guilty of pulling the trigger on deals that are too focused on short-term opportunities. Moreover, shareholders stand to be severely diluted, as management continues to issue more shares to finance its fast and furious acquisition spree to get the early leg-up.

### Putting the deals into perspective

In [previous pieces](#), I've mentioned my distaste for the absurdly expensive CanniMed acquisition, which didn't at all appear to consider the price paid. The hostile pursuit of CanniMed was very public, and the elevated acquisition price tag would have been enough for many firms to walk away; however, it was apparent that Aurora would stop at nothing to get the deal done.

Furthermore, the recent decision to acquire up to 40% of Liquor Stores appears to be a very smart strategic move to better thrive in the highly regulated ["no fun" legalized environment](#). The deal will allow Aurora to have direct exposure to the retail side of the cannabis market in some of the most prime pieces of real estate in B.C. and Alberta.

Finally, the Shoppers Drug Mart deal is a clear positive; however, it's important to note that **Aphria Inc.** ([TSX:APH](#)), **MedReleaf Corp.** ([TSX:LEAF](#)) and Tilray Canada already have similar deals of their own with Shoppers, so Aurora's recent deal isn't a unique development that should entice investors to add to a position at these frothy levels.

## What to make of all these recent deals

Despite the overwhelming barrage of deals that have diluted shareholder value, I believe that Aurora is best positioned to thrive in the highly regulated post-legalization environment since a tonne of its production facilities are slated to come online right in time for legalization day, allowing the company to best meet what many believe will be off-the-charts demand for legal weed. Add cannabis retail stores into the mix through Liquor Stores N.A., and you have a firm that's ready to pop in the months following legalization day.

As long as regulations keep cannabis as an unbranded commodity, Aurora will benefit; otherwise, a more relaxed regulatory environment that allows for branding will give **Canopy Growth Corp.** ([TSX:WEED](#)) an opportunity to fully spread its wings to fly above and beyond its peers.

## Bottom line

There are still many risks to be aware of as we head past legalization day, including the emergence of a ["new black market,"](#) which could send Aurora's shares plunging lower than its peers thanks to its large, expensive shareholder-dilutive acquisitions.

At this point, the potential medium-term rewards are huge, but so are the risks, so I'd only advise picking up shares if you're comfortable with losing every penny of your principal.

I'm cautiously optimistic on Aurora in the near term, but due to longer-term uncertainties and the frequency of dilutive acquisitions, I remain on the sidelines.

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