



Is Aurora Cannabis Inc. Looking to Make Another Big Acquisition?

Description

Last year, **Aurora Cannabis Inc.** ([TSX:ACB](#)) made big news when it was involved in the largest [acquisition](#) in the industry to date. However, signs are that the company is still not done, and it has now been confirmed that talks are ongoing with Aurora and medical marijuana producer **MedReleaf Corp.** (TSX:LEAF).

Rumours have been circling that MedReleaf is looking for a buyer, and Aurora could be a prime candidate to scoop up the cannabis company. MedReleaf is one of the largest pot stocks on the TSX, so this would have to be a big offer, as the company currently has a market cap north of \$2.3 billion, which is a little more than half the size of Aurora's \$4.5 billion market cap.

No news yet

So far, both companies have been quiet as far as progress and how talks have been going, which is quite different than the [drama](#) we saw play out when Aurora was last involved in an acquisition attempt. Aurora brushed off the talks as nothing out of the norm, with the company issuing a statement saying that "the company does confirm that it engages in discussions with industry participants from time to time, including MedReleaf." Aurora went on to say that no deal was in place.

Likewise, MedReleaf would not confirm any rumours, stating in its release last week, "As a general policy, MedReleaf does not publicly comment on unusual market activity, rumours or speculation in the marketplace or any potential transaction unless, and until, a binding legal agreement to effect that transaction has been signed."

It looks like any information will be minimal unless we see a deal actually get signed.

The need for acquisitions in the cannabis industry

With so much fragmentation in the industry, it's inevitable that we'll see more acquisitions take place among pot stocks. Many companies are staking out strategic positions in different parts of the world, and that makes it appealing for big companies like Aurora and **Canopy Growth Corp.** ([TSX:WEED](#)) to grow via acquisition.

One of the reasons this is necessary is the challenge that new producers will face in light of many restrictions placed on the industry, and how hard it will be to advertise, which will make it difficult for a company to stand apart from the rest. This gives a big advantage to the already well-known companies in the industry, as their brands are already established and would command significant market share.

Takeaway for investors

Before investing in pot, investors should be aware of the risks involved. Most of these companies are not profitable, and without much cash on their books, any deals will have to resort to either debt or stock, which in the end could hurt the share price, and investors would suffer losses as a result.

Valuations are still astronomical in the industry, and the danger for investors is being caught up in all the hype. As we've seen already this year, pot stocks can be very volatile, and if you're not careful, you could end up riding the roller coaster.

CATEGORY

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2. TSX:WEED (Canopy Growth)

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