



Is Aurora Cannabis Inc. Now the Best Pot Stock to Invest in?

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) continues to acquire market share with its latest [deal](#) making it the largest marijuana stock in the industry, assuming shareholders give it the okay to proceed. The company has been busy this year; just months ago it also was involved in what was, at that time, the largest [acquisition](#) in the industry.

It's a different approach than the one rival **Canopy Growth Corp.** ([TSX:WEED](#)) has taken, as it hasn't been involved in such high-profile deals. It could prove to be a risky venture by Aurora, as it is paying a high price at a time when pot stocks have been falling. However, if growth is as significant as Aurora expects it to be, then the gamble could be well worth it.

Investors are not convinced acquisitions are the key

Despite the fact that Aurora could become the largest pot stock, there doesn't appear to be much excitement around the stock. Year to date, Aurora's share price has dropped ~35%, and that is in line with the decline that **Aphria Inc.** ([TSX:APH](#)) has been on, with the latter seeing a lot of negative press and being involved in an expensive acquisition of its own earlier this year.

In contrast, Canopy Growth, which has largely stayed out of the spotlight, hasn't seen a big decline this year, as returns have been flat so far. While Aurora saw a big boost last year when it was in the middle of acquisition talks, that same hype is not there anymore, and that could be a big problem for the stock. Hype has driven valuations to astronomical highs, and that's the only thing that can keep stocks like Aurora priced so high.

Sales are minimal, and profits have been rare to come by, leaving investors with only the promise of growth as to why pot stocks are worth their high price tags, which leads us into another important question:

Is there enough growth in the market?

When you look at the market caps of these three stocks, the combined value is about \$13 billion, and if Aurora's acquisition goes through, then that number will climb north of \$15 billion. With three

companies having such high market caps, and many new entrants on the TSX all vying for market share, there's going to be a lot of competition, and there just might not be enough customers.

While some companies have diversified into other countries, the big market is going to be in Canada, at least for now. Statistics Canada estimated that in 2015 the industry was worth approximately \$6.2 billion, and while that's built on several assumptions, if that's even remotely close to being accurate, it would mean that even if the industry doubled in size in just three years, it would still fall short of the combined value of these three stocks.

Bottom line

While Aurora may be positioning itself for big production, the bigger question is if there will be enough demand, and if there isn't, then that could hurt the company's financials. The stock is still at a high value, and while it may now be the biggest pot stock, that doesn't mean it's the best one.

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