

Is Aurora Cannabis Inc.'s (TSX:ACB) Latest Spending Spree Going to Pay Off for its Shareholders?

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) has been on an absolute tear over the past six months, spending on aggressive plans for expansion as legalization fast approaches.

But is it a strategy that we should expect to pay off for the company's shareholders?

Over the past six months, Aurora Cannabis has spent billions of dollars on investments that it hopes will bear fruit for the company.

The investments span a broad range of initiatives, from plans to build two state-of-the-art production facilities, an investment that saw the company take a substantial ownership position in a provincial distributor, and two outright takeovers of established medical producers carrying a price tag in excess of \$4 billion.

The first hint that Aurora Cannabis was going to make a run at being a top-tier player in Canada's marijuana space was the company's announcement last year that it was investing in what it planned to become Canada's pre-eminent marijuana grow facility.

The 800,000-square-foot space, now dubbed "Aurora Sky," is located conveniently near Edmonton's international airport, which the company hopes should give it a competitive advantage to reduce both time and expenses associated with shipping product to outside markets.

Since then, Aurora has announced plans for another, even larger facility in Medicine Hat, Alberta, which it expects to provide the company with an additional 1.2 million square feet of greenhouse space.

But despite those two large-capital projects, Aurora will still find itself falling short of **Canopy Growth Corp.** ([TSX:WEED](#)), at least in terms of sheer production space, by the time legalization rolls around, which is expected to be later this year.

Perhaps in an attempt to combat that shortfall, Aurora has made some other key moves that it hopes will give it a leg up on the competition. Among those is the company's 25% investment in **Alcanna Inc.** (TSX:LIQ), which formerly went by the name of Liquor Stores NA.

Alcanna was formerly concentrated on the selling of alcohol through its retail network, but following the investment by Aurora, it will be expanding its distribution network, using the proceeds to build approximately 50 new retail cannabis stores across Western Canada.

With production and distribution — at least on the West coast — seemingly looked after, Aurora has also turned its attention to gobbling up some of Canada's more established marijuana growers.

That included Aurora's [\\$1.23 billion acquisition](#) of CanniMed earlier this year, and then just this month

came the announcement of an even larger deal — [the acquisition of MedReleaf Corp.](#) (TSX:LEAF) for \$3.2 billion.

Both CanniMed and MedReleaf have longer operating histories than Aurora, and so there is some hope that in acquiring the two, Aurora will deepen its product lineup in terms of adding some premium strains to its portfolio; additionally, Aurora has the opportunity to bolster its roster in terms of adding some of Canada's finest cannabis cultivators to its roster.

Will Aurora's moves pay off?

The latest string of moves by Aurora Cannabis may do well to secure the company a larger share of the market over the long run — say, in five or even 10 years' time.

Certainly, the move to own distribution through the company's stake in Alcanna should offer diversification benefits; not only does it expose the company to alcohol sales but potentially to other marijuana producers as well.

The decision to aggressively add production space also appears to make sense, as there certainly will be demand for product once legalization becomes official, but in particular, it's the price tag Aurora has agreed to pay for CanniMed and MedReleaf that may give investors reason to exercise caution for the time being.

Those two acquisitions will have the undesirable effect of diluting the existing shareholder base significantly.

While those deals may prove fruitful over the long term, there were already a lot of optimistic assumptions baked in to the share prices of both companies before Aurora stepped in to make its offer, meaning that while there's certainly room for the value of an investment in Aurora to grow, it's also one that may not pack quite the punch that Foolish investors are after.

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