



Is Aurora Cannabis Inc. (TSX:ACB) Pulling a Valeant Pharmaceuticals Intl Inc. (TSX:VRX)?

Description

Most pundits would agree that consolidation within the marijuana industry is inevitable over the next three years.

At the rate **Aurora Cannabis Inc.** ([TSX:ACB](#)) has been making acquisitions lately, it certainly seems like there will be nothing left when Aurora's finally had its fill. Someone must have forgotten to tell Aurora's management that this industry-wide consolidation is not a race, and even if it were, at these hefty multiples, it may be the tortoise that ends up winning the race and not the hare (Aurora).

The tortoise, as you may have guessed, is Canada's favourite pot firm, **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC), which has remained on the sidelines amidst Aurora's continued acquisition spree whereby it has scooped up the likes of Hempco Food and Fiber Inc., CanniMed Therapeutics Inc., MedReleaf Corp. and, most recently, Anandia Laboratories.

"This is a transformative acquisition that expands our science capabilities in the upstream segment of the seed-to-sale cannabis value chain, significantly boosting plant-based innovations in cultivation, enabling accelerated product development, and, ultimately, enhancing our margin profile going forward," said Aurora CEO Terry Booth.

The reasons for the acquisition are fine and dandy; however, what investors really want to know is why Booth et al have been taking on the role of serial-acquirer, severely diluting its shareholders in the process.

It seems as though there's a new acquisition for Aurora every week. One can't help but draw comparisons to **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX) in the prime of the debt and greed-fuelled acquisition spree under its ex-CEO Michael Pearson. This reckless acquisitionspre, among other issues, ultimately led to a crash that wiped out over 95% of its stock's value. In a [previous piece dated November 30, 2017](#), I noted that Aurora's acquisition spree smelled a lot like Valeant's back in the day when Valeant made the headlines on a regular basis for a new acquisition almost every week.

While Aurora hasn't racked up the same magnitude of debt that Valeant had, Aurora has been severely diluting its shareholders, who are quickly finding out that their drop-in-the-bucket stake may soon turn into a drop-in-the-ocean stake.

"Management is looking for value in its acquisitions, so I don't think they'll overpay for deals just to move the stock higher over the short term, especially since its sights are set on smaller players in the space," I said back in November.

Boy, was I wrong about the management's consideration for value when pulling the trigger on acquisitions. Since that piece was published, Aurora moved on to scoop up bigger fish after the industry skyrocketed further to all-time high valuations.

At this point, I think Aurora remains a reckless investment in comparison to Canopy, which I think is your best bet in the cannabis industry, especially since it hasn't been "paying a dollar to get a dime" when it comes to acquisitions.

If Aurora continues on its shareholder-dilutive acquisition path, I think the next [industry-wide correction](#) will be amplified for shares of Aurora.

The company has gone all-in on acquisitions, and many analysts are growing increasingly concerned about its borderline reckless roll-up strategy.

Who knows? It may pay off big-time down the road, but if the road ahead is as rocky as it's been, expect severe downside akin to that of a leveraged ETF. As such, Aurora doesn't appear to be an investment at these levels whatsoever. It's a pure speculation and a dangerous one at that!

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