

Aurora Cannabis Inc. (TSX:ACB) Acquires Another Company: Why This Is Good News for Investors

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) is going to purchase yet another company. In a much smaller acquisition than its \$3.2 billion [purchase](#) of **MedReleaf Corp.** (TSX:LEAF), Aurora is going to acquire Anandia Laboratories for a price tag of \$115 million. The Vancouver-based company will provide Aurora with valuable research and development and testing services.

Not a lot of green on the balance sheet

The deal to purchase Anandia is an all-stock acquisition, as Aurora has a limited supply of cash on its balance sheet. In the company's most recent quarter, it had just \$231 million in cash and equivalents, so this acquisition, small as it may be, would have depleted about half that amount.

While the all-stock deal makes it easy to arrange payment, investors will feel the impact of more dilution, as the company will once again issue more shares in order to fund the transaction.

Positioning itself for strong growth ahead

The acquisition of MedReleaf and Anandia tell me that Aurora is wisely trying to focus on the [opportunities](#) that exist in medical marijuana as well as the potential that exists in the recreational pot market.

While recreational marijuana is certainly all the rage this year, the more significant growth opportunities may actually lie in the medical market. Many studies have found marijuana to be effective for pain relief and in treating various types of ailments.

The challenge for cannabis companies is proving that there are some very significant advantages to using marijuana for medical purposes. It hasn't helped that studies on cannabis are limited, as it is still categorized as a Schedule I drug in the U.S., which makes researching it there very difficult.

However, as we see some more studies and some more definitive results when it comes to the illnesses that cannabis can treat, the growth opportunities could easily exceed the potential that exists in the recreational market. Investors only need to look at the opioid problems south of the border as an example of this.

It may be a longer-term play, but focusing on medical marijuana could provide Aurora with significant growth opportunities over the long term.

Are more acquisitions on the way?

With more and more pot stocks on the exchanges, there's continually more opportunities for acquisitions. New cannabis companies face big obstacles when it comes to establishing a brand and

trying to wrestle away market share from more well-known cannabis companies.

The fragmentation that exists in the industry along with the challenges that small companies face makes it inevitable that we'll see more acquisitions in the future. Given what we've seen so far, I wouldn't be surprised if Aurora isn't done.

Bottom line

This latest acquisition by Aurora isn't going to break its bank or its stock price, and in the long term, a focus on medical marijuana could pay off significantly. Aurora's share price has struggled since the start of the year, and investors may want to keep this one on their watch list as a further dip in price could make the stock a very appealing buy.

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