



Is Aurora Cannabis Inc. (TSX:ACB) Firing on All Cylinders or Taking the Corner Way Too Fast?

Description

In the proverbial race to become the biggest dog in the fight for Canada's top spot as cannabis king, **Aurora Cannabis Inc.** ([TSX:ACB](#)) continues to amaze with acquisition followed by acquisition.

Fundamentally, the acquisition of cannabis producers at this stage in the game still makes sense for companies relying on all-stock deals. As Aurora's stock price continues to climb, trading shares in the company for shares in the acquired firm only dilutes existing shareholders, but it does not impact cash on the firm's balance sheet — cash which is becoming increasingly scarce. With equity markets expected to continue to remain robust for the foreseeable future, relying on appreciating equity to [fund acquisitions](#) can result in more acquisitions for companies like Aurora in the near to medium term.

Keeping up its torrid pace, Aurora's management team has recently announced yet another "small" acquisition — this time the [\\$115 million buyout](#) of Anandia Laboratories, a small cannabis-focused laboratory business in Vancouver, B.C. This acquisition brings new capabilities to Aurora's business operations, allowing the company to delve deeper into R&D and testing for the company's product.

On some level, this acquisition actually might make sense in the long run for a company like Aurora for a couple of key reasons. First, as marijuana becomes legalized on the federal level in Canada, expect to see additional testing requirements for producers from Health Canada. In order to produce marijuana, companies like Aurora are required to do regular testing with firms such as Anandia. Bringing this expertise in-house could bode well for the firm in getting approvals for new value-added products down the road, giving the impression to regulators that Aurora takes its testing very seriously.

This acquisition also opens certain patenting and licensing doors to Aurora. Similar to what other seed companies have done, patenting a specific strain or product infused with cannabis would require some sort of partnership with an operation such as Anandia to really dive into the science behind new products or strains within the cannabis sector. This is uncharted territory, so maybe Aurora got a steal here.

Either way, Aurora's strategy is piecing together a gigantic firm from a bunch of smaller ones, in effect

increasing near- to medium-term integration pressure and costs as we near the legalization horizon. Another all-stock deal, the Anandia addition may add long-term value, but at a significant short-term dilutive cost to shareholders (especially when considering the incredible number of all-stock, or mostly-stock deals, the company has completed recently).

Stay Foolish, my friends.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/09/17

Date Created

2018/07/07

Author

chrismacdonald

default watermark

default watermark