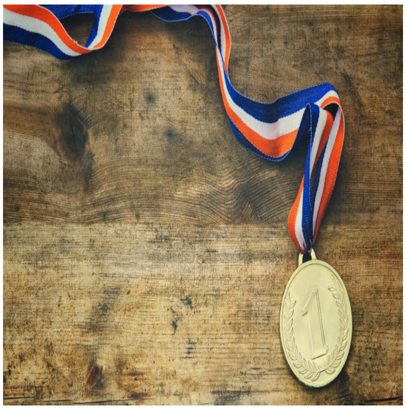

Why Aurora Cannabis Inc. (TSX:ACB) Is the Marijuana Stock With the Most Upside

Description

With legal marijuana just over three months away, many investors are wondering whether it's too late to capitalize off the Canadian green rush. While it may seem like you missed **Aurora Cannabis Inc.** (TSX:ACB) after its incredible 2,000% surge over the last two years, there are many reasons why the best may be yet to come.

You're probably aware that most pundits agree that there's going to be a colossal marijuana supply shortage once the floodgates finally open on October 17, 2018. What many are unsure of, however, is exactly how long the supply shortage window will be open.

With over a hundred licensed producers (LPs) ready to flood the market with legal marijuana, the initial window of opportunity may be much shorter than analysts are projecting. **Canaccord Genuity Group** believes the marijuana market will be in equilibrium about a year after legalization day as prices move to the $8 per gram levels. Aurora Cannabis is arguably the best-prepared firm to supply the sky-high demands of pot smokers within the "green rush" window, and I think the first quarter in a post-legalization environment could cause shares to skyrocket like a bat out of heck.

After this window of opportunity closes, it's likely that many up-and-coming marijuana firms lacking in competitive edges will be forced to close up shop as the "green rush" goes up in smoke. While one may argue that such small pot producers may be scooped up by the likes of a **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) or any of the other potential industry consolidators, I'd argue that such tiny mom-and-pop pot firms have nothing more to offer a prospective parent company than that of your typical carrot farmer.

Sure, you can grow pot instead of carrots to get a better bang for your buck, but with nothing unique to offer, you can forget about the possibility of such a firm being an acquisition target. A license granted from Health Canada is not a durable competitive advantage. Simply put, not every marijuana firm is going to be scooped up by a bigger rival. Many small, uncompetitive firms are going to go out of business once the "green rush" is over.

Compelling takeover targets in the marijuana space are scarce

Consolidation is inevitable, and while you may think there are tons of takeover targets in the pool, I'd argue that real "talent" in the marijuana space is scarce.

Will Ashworth, my colleague here at the Motley Fool put it best: the acquirers are willing to pay up for "talent" within the marijuana space. When it comes to talent, very few firms lack any competitive edge other than the possession of an LP.

At this juncture, I'd argue that the best targets have already been scooped up by Aurora Cannabis. The company may have paid an absurd multiple while diluting shareholders in the process, but if the pot market continues roaring over the next few years as it did in previous years, CanniMed Therapeutics Inc. and **MedReleaf Corp.** may be considered bargains down the road.

Foolish takeaway

I, like many other Aurora skeptics, was turned off by the fast and furious rate of acquisitions of late, but if you're a real bull on marijuana, Aurora has the most upside potential by far.

They've done more talent acquisition in a few months than most its peers will do over the next three years. Talent in the marijuana space isn't as abundant as it may seem.

Next thing you know, Aurora will have all the "good ones," and all that will be left in the free agent pot pool will be a bunch of generic pot farming firms with nothing to offer their prospective parent companies.

Aurora's aggressive strategy could pay significant dividends, but it's also one of the riskiest marijuana bets out there. But then again, the whole industry is risky, so if you're going to place a speculative bet, you may as well make it count!

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