



The Marijuana “Green Rush” Has Just Begun, But Not in the Way You May Be Thinking

Description

The term “green rush” has become used ad nauseum in the financial media of late. This green rush refers to the “once-in-a-lifetime opportunity” to profit off the imminent legal marijuana supply shortage that will happen in the first year (or so) following legalization day (October 17, 2018).

While the green rush may seem like an opportunity for retail investors to get rich quick off some up-and-coming new producers on the TSXV, I’d urge investors to proceed with caution before placing a bet on any small marijuana name without ensuring proper due diligence.

Not all marijuana producers will be successful. In fact, I believe many TSXV-traded up-and-coming pot stocks stand to be delisted over the next decade.

While it may seem like the green rush is all but over once marijuana legalization comes into effect, I’d argue the “real” green rush has just begun.

What’s the “real green rush?”

It’s not the opportunity that’s to be realized by new entrants (licensed producers) in the marijuana industry. I believe the real green rush will be the acquisition moves made by the juggernauts in the space to maintain dominance. The real green rush has already begun, and thus far, **Aurora Cannabis Inc.** ([TSX:ACB](#)) is miles ahead of the competition, including [top rival Canopy Growth Corp.](#) ([TSX:WEED](#))(NYSE:CGC).

While Aurora shareholders aren’t fans of being diluted to death, the company looks appealing over the long term when you consider the talent pool they’ve gained over peers in the space.

The convertible debentures could really hurt shareholder value down the road, but with the smart folks from MedReleaf and CanniMed Therapeutics in the roster, I’m sure you’d agree that Aurora could do a heck of a lot more value creation over the next five years compared to a firm that’s solely focused on producing the most weed in the shortest time possible.

Fresh bud has a limited shelf life (around one year), after all, so I think firms with the smartest minds will end up becoming the real leaders in the space, as they capitalize on opportunities within the industry as they present themselves.

What exactly is meant by marijuana talent?

It isn't run-of-the-mill farmers who grow pot plants on their fields instead of carrots, that's for sure.

Talent should be seen as the innovative potential and sought-after expertise of management teams and individuals. The rush to scoop up this industry talent, I believe, is the real green rush that will lead to outstanding long-term profits.

Whether it's a deep understanding of the medical applications of marijuana, branding prowess, technologically advanced cultivation techniques, or creative R&D leading to patented strains of cannabis, I believe today's marijuana talent pool will be able to have compounding effects on the success of today's big pot companies.

Foolish takeaway

The recent \$200 million credit facility granted by **Bank of Montreal** isn't just a means for Aurora to scoop up more talented rivals; it's a massive vote of confidence from an established institution on the creditworthiness of firms within a nascent industry that some may see as a bubble.

The dilutive impact of Aurora's recent acquisitions is seen as a definite negative, but if you've made the decision that you're going to take the plunge into the marijuana space, you've accepted the astronomical risks and might as well go with the horse that will give you the biggest payoff.

The systematic risks are high, so you might as well bet on the firm that you believe will emerge as a market leader when all is said and done. Thus, Aurora Cannabis stock looks like a [much better buy](#) than your average TSXV-traded up-and-comer.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:ACB (Aurora Cannabis)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/04

Date Created

2018/07/13

Author

joefrenette

default watermark

default watermark