

# Why Aurora Cannabis (TSX:ACB) Looks Like Today's Best Value in the Marijuana Space

## Description

It's been an abysmal year for **Aurora Cannabis Inc.** ([TSX:ACB](#)) stock after falling as low as 64% from its January peak. There's no question that the stock has been punished by investors for its seemingly reckless shareholder dilutive acquisition spree, which was conducted when industry valuations were hovering around all-time highs.

Back in January, I [warned investors](#) that Aurora had "shot itself in the foot" with its "rushed" M&A activities and urged investors to seek pot producers who were less on the M&A front, most notably **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC), which stayed on the sidelines as pot stocks continued to go parabolic.

Aurora was my favourite pot stock before its round of acquisitions, but after pulling the trigger on ridiculously expensive deals, the stock became one of my least favourite plays in the marijuana market. I went as far as recommending investors to [short Aurora while simultaneously going long on Canopy](#), a play that would have been profitable over the past three months as Aurora shares have fallen 22%, and Canopy had surged 22% since May 25, 2018, when my long/short recommendation was published.

Aurora and Canopy were headed in completely different directions at the time, and I wasn't at all a fan of the impatience that Aurora's management exhibited when it decided it would be a good idea to chase down CanniMed Therapeutics Inc. or loosen up the purse strings when it came to MedReleaf Corp while the marijuana market was taking off to "bubbly" levels.

Both cannabis firms had an incredible amount of talent, don't get me wrong, but as I predicted in earlier published pieces, Aurora would have been able to scoop up those same companies for a fraction of the price if it just waited for an inevitable pullback.

Did Aurora's management team exhibit the FOMO mentality like many other pot investors?

Perhaps, but the apparent lack of discipline, I believe, was the ultimate reason for Aurora stock's demise over the past year.

At the time of writing, the stock is trading at \$6.50, and market-wide sentiment is picking up after Constellation Brands announced that it has upped its stake in Canopy.

Canopy is blasting off to new all-time highs, and Aurora stock needs to more than double just to hit its own high that's just shy of \$15. Should investors continue going long Canopy while shorting Aurora?

At this juncture, I think it's time to cash in on the long/short strategy, as I believe Aurora is going to make up for lost time in the months ahead.

Sure, management uglified itself with its acquisitions, but after shedding well over half its value this

year, I think Mr. Market has more than fully penalized the company.

While Aurora overpaid and hurt its investors by scooping up CanniMed and MedReleaf, investors ought to realize the possibility that the premium price tag that Aurora paid will be dwarfed by the massive premium that a potential acquirer may pay for Aurora.

Who knows? Aurora could be in discussions with some a heavy-handed sinner like **Phillip Morris International Inc.** as you're reading this.

Canopy CEO Bruce Linton stated that talks with Constellation have been going on years in advance of the announcement of the dissemination of Constellation's investment. Although just speculation at this point, one has got to look at Aurora from the point of view of an established acquirer.

### **Foolish takeaway**

Canopy, with its extensive portfolio of recreational brands, is seen as a perfect complement for a beer maker. Aurora isn't the same beast. After the acquisition of MedReleaf and CanniMed, Aurora appears to be positioning itself up to be acquired by a major pharmaceutical company who may be looking to hedge itself from disrupted sales for drugs where cannabis is seen as a suitable (perhaps superior) alternative. Think painkillers, sleeping aids and the like.

It's speculation at this point, but one thing's for sure. Through the eyes of a pharma firm, one has to think that Aurora looks like a mouth-watering investment given its promising medicinal marijuana assets. Over the next year, I find it probable that Aurora may have a high-profile investor and if that happens, the stock could easily double from here.

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