



Should Aurora Cannabis Inc. (TSX:ACB) Stock Be in Your Portfolio Today?

Description

The spectacular rise of the [marijuana sector](#) has captured the attention of investors in Canada and abroad.

In just a few years, fledgling start-ups that struggled to find financing now have major global corporations beating down their doors to get a foothold in the disruptive segment. Competition is intense, and **Aurora Cannabis** ([TSX:ACB](#)) has emerged as one of the leaders.

Let's take a look at the Edmonton-based marijuana company to see if it deserves to be on your [buy list](#).

Growth

Consolidation has been the name of the game, and Aurora Cannabis has certainly played its part, gobbling up at least 10 other companies in an effort to position itself to be a major player in both the Canadian and European medical marijuana markets, with an eye on the recreational opportunities to come.

The largest and most notable deals included the all-stock purchases of CanniMed in early 2018 and the recently closed acquisition of MedReleaf. Scale is critical to success in the cannabis segment, as companies need to have the ability to meet demand from the provinces as Canada launches its recreational market.

Aurora now has more than 570,000 kg of funded production capacity, making it a leader in the space.

Partnerships

Aurora continues to build partnerships in the industry, and investors are speculating on a potential deal with a major international beverage company in the wake of the recent move by **Constellation Brands** to boost its stake in **Canopy Growth** to 38%.

Rumours are swirling that global spirits giant **Diageo** is looking to find a dance partner in the Canadian space, and Aurora would certainly be one of the top candidates, given the company's strong position in

both Canada and Europe.

The report that Diageo was in talks with three Canadian companies recently sent share prices soaring in the sector. Aurora jumped from a 2018 closing low of \$5.34 on August 14 to above \$9, as investors piled in on the hopes of a huge premium, similar to the one received by Canopy Growth.

Valuation

At the time of writing, Aurora trades for \$9 per share, putting the market capitalization at roughly \$8.8 billion. That's a lofty price by any measure, and the incredible valuation is the reason investors have to be careful when looking at Aurora or any of its peers.

Should you buy?

Owning any of the marijuana stocks today is risky, given the massive run-up in the stock prices. The long-term potential is certainly appealing, but investors should prepare for ongoing volatility. In fact, I wouldn't be surprised to see a healthy round of profit taking once the Canadian recreation market actually launches.

In the case of Aurora, the 70% surge since the middle of August is likely overdone, especially if a major deal with a beverage company doesn't pan out. At this point, I would look for other investment opportunities.

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