



Why This Latest Acquisition Could Send Aurora Cannabis Inc (TSX:ACB) Soaring

Description

Aurora Cannabis ([TSX:ACB](#)) has announced today that it has signed a deal to purchase **ICC Labs** (TSXV:ICC) in yet another all-stock purchase, valued at approximately \$290 million. Aurora will pay \$1.95 for each share of ICC, which is only 9% more than where the stock closed on Friday. The board of directors of both companies have already given the deal unanimous support.

Why did Aurora make this deal?

ICC Labs has a big presence in Uruguay, and, according to the release, it has a market share in excess of 70%, which would give Aurora a leading position in that country. The company will also add lots of production capacity; once its current expansion projects are complete, ICC will be able to produce more than 450,000 kg per year.

Aurora CEO Terry Booth was very optimistic of what the acquisition of ICC could mean for Aurora's plans for South America, stating in the release, "The company has a very strong management team with deep connections throughout the continent, which we believe will facilitate successful expansion into all South American markets."

Recently, we've seen cannabis companies start to focus on [South American markets](#), and with Uruguay being the first in the world to legalize recreational use, it's a good place to start and to gain a good position in that part of the world. By acquiring ICC, it enables Aurora to accelerate the process of gaining market share as it effectively jumpstarts the process in a big way.

Is this a good buy for Aurora?

Compared to some of its [other buys](#), this purchase is a drop in the bucket for Aurora. It's a fast and easy way for the company to get into another continent and gets around a lot of the risk that would otherwise be involved. However, at face value, Uruguay appears to be a very small market; ICC had just US\$315,000 in sales over the past six months, and so if that's what 70% of market share looks like, it may not be as good as it sounds.

That being said, as with everything cannabis, this is a long-term play. The real value comes with what

opportunities this could create for Aurora in South America, not just Uruguay.

What does this mean for investors?

With ICC being well connected in South America, I wouldn't be surprised if we see more deals on the horizon. The downside for investors is that could lead to more share dilution, but that's, of course, in exchange for more potential and growth opportunities down the road.

The one concern I would have with Aurora is that with all the big acquisitions that the company has been involved in just this year, it's going to make it very challenging to integrate all of these different operations in different parts of the world into one company and ensure that things run effectively and efficiently. Growing too quickly could add on lots of costs to its financials and will make turning a profit even more difficult for Aurora.

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