



Why Aurora Cannabis (TSX:ACB) May Be Ready to Pull the Breaks on its Aggressive Growth Strategy

Description

It was just a matter of time before **Aurora Cannabis** ([TSX:ACB](#)) caught up with the rest of the smoking-hot cannabis players. Aurora stock has trailed the industry over the past year, courtesy of management's sub-par M&A moves, but it has since bounced back on reports that "talks" have been going on behind the scenes with a beverage maker that Warren Buffett likes very much.

As we head to and past legalization day, what's in the cards for Aurora? And will management continue down the path of aggressive growth?

Dilution no more?

At this juncture, I think it's safe to say that investors across the globe made the jump onto the TSX to scoop up shares of Aurora while they were depressed. It was essentially the only "cheap" and established player in the space, and after spinning off its U.S. and real estate operations into a publicly traded entity of its own ([Australis Capital](#) on the Canadian Securities Exchange), I think the highly dilutive days of Aurora may finally be in the rear-view mirror.

Aurora shareholders had felt the dilutive impact when Aurora decided to pull the trigger on acquisitions that were far too rich. Shareholders don't like the value of their shares to diminish, and that's a major reason why Aurora lost a step to its peers this year.

For management, I think the message was loud and clear. Dilutive acquisitions are no longer acceptable, unless the desired result is a sinking stock. While the broader industry is nowhere near consolidated, one has to think that Aurora will be busy its newfound businesses, rather than scooping up anything it can get its hands on with apparent neglect for the price being paid.

Time for Aurora to take a breather

Fellow Fool contributor David Jagielski noted that Aurora may be [spreading itself too thin](#) and that its aggressive strategy may ultimately be what ends up sinking the company.

“Getting overrun with costs and trying to do too many things at once is an easy way to run into cash constraints and other challenges,” said Jagielski.

While Aurora’s number one competitor **Canopy** may also be going global while keeping an eye open for up-and-coming talents in the pot pool, I believe Aurora has been much sloppier than Canopy when it comes to execution. Thus, it’s not a mystery as to why Canopy has been a more attractive name to marijuana investors.

Foolish takeaway

Whether Aurora takes a breather remains to be seen, but at this rate, I simply don’t see the company staying on its aggressive path. I’ve compared Aurora’s strategy to that of Valeant in the past. Unlike Valeant, however, I believe Aurora will shelve its aggression before it’s too late.

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Date

2025/08/27

Date Created

2018/09/29

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