



This Pot Stock Just Made the Biggest Acquisition Ever in the U.S. Cannabis Industry

Description

Cresco Labs ([CNSX:CL](#)) might not be a household name in the cannabis industry yet, but that might change very soon. On Monday, the company announced that it was acquiring **Origin House** ([CNSX:OH](#)) in what is going to be the largest transaction for a U.S. cannabis company yet — \$1.1 billion.

Up until now, the big acquisitions have involved Canadian cannabis companies, and often it's been **Aurora Cannabis** ([TSX:ACB](#))([NYSE:ACB](#)) that's been leading the charge. Aurora has acquired big names like [CanniMed Therapeutics](#) and [MedReleaf](#), which were two of the biggest acquisitions we've seen thus far.

Under the terms of this deal, Origin House shareholders will receive 0.8428 shares of Cresco Labs in exchange for each one of their shares. Based on Cresco's closing price as of last week, that equates to a value of around \$1.1 billion for Origin House. The all-stock deal is the biggest in a U.S. cannabis market that's filled with small, segmented players. We haven't seen many big deals south of the border, but that could change very soon.

With the U.S. cannabis market rising in popularity and more states legalizing marijuana, we could see even more potential acquisitions coming down the pipe. This move, in particular, helps Cresco gain a big footprint in California: a lucrative market where Origin House is one of the leading distributors in the state. It's a good way for Cresco to advance and accelerate its growth across the country. Although marijuana may not be legal federally in the U.S., as long as cannabis products don't cross state lines, companies like Cresco can avoid running into problems.

Investors were excited by the agreement as Cresco's stock price was up 4% by the close. Since listing on the Canadian Securities Exchange back in December, Cresco has seen its share price double and has been one of the hottest pot stocks on the exchange.

The arms race could be heating up

While Cresco is looking to add to its market share in the U.S., Canadian companies aren't likely to sit idly by either. Aurora, which has not been shy when it comes to acquisitions, recently brought on billionaire investor Nelson Peltz, who is well connected with some big-name companies in the U.S. and could help the company uncover some significant opportunities.

Especially now that the U.S. market is open for cannabidiol (CBD)-derived hemp, the door to expand south of the border has been opened ever so slightly. While it's not all forms of CBD that have been permitted, it at least paves the way for some forms of CBD and means that some products could make their way into the U.S.

As a result, we could end up with Aurora and other Canadian companies competing head-on with their U.S. counterparts. And with the stakes getting higher, you can bet that the arms race is going to get even more aggressive as companies look to get an edge over one another.

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