Why Aurora Cannabis' (TSX:ACB) "Different" Strategy Has Me Licking My Chops

Description

Many investors have scooped up **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) in hopes that a big-league investor (perhaps a pharmaceutical giant) will jump in with a big, fat investment and send shares of Aurora skyrocketing into the stratosphere.

Aurora is one of the big cannabis players that still lacks a dance partner. With cannabis peers like **Canopy Growth** (TSX:WEED)(NYSE:CGC) and **Cronos Group** now ripping up the dance floor with a deep-pocketed partner, the thesis at this juncture appears to be that Aurora is the marijuana player with the largest number of catalysts and the most room to run.

Given the industry trends, it seems like it'll just be a matter of time before Aurora lands initial investment from a well-established firm, so it's not a mystery as to why many millennials prefer Aurora over current top dog Canopy Growth.

In a prior piece, I highlighted the advantages that Canopy gained by having **Constellation Brands** standing in its corner. The cannabis industry is ridiculously volatile, and Constellation's vote of confidence served as a support level. Given that Canopy's pockets are now that much deeper, Canopy CEO Bruce Linton and company now have more financial flexibility to take advantage of opportunities as they arise.

There are significant pros to already having a behemoth of an investor (such as more downside protection), but there are also major cons that I believe investors may be overlooking. Having a major investor could seriously limit long-term upside, and for pot investors, that's simply unacceptable.

So, where's that big-league investor, Aurora?

In a recent interview conducted by MarketWatch, Aurora CEO Cam Battley shed light on why his firm hadn't signed on a major deal with a behemoth as Canopy while other peers have.

Battley stated that Aurora is "taking a different approach" on the advice of hedge fund manager Nelson Peltz, who was strongly against "selling [Aurora] shareholders short" as the value of the company was still rising rapidly.

While selling a massive chunk of shares to a big-league investor is an easy out, Battley has made it clear to investors that his firm in it for the long haul, and as industry consolidation continues at a rapid rate, we'll likely see Aurora as a consolidator and not as a takeover target as many investors have speculated.

Peltz and Battley both have a good point.

If the cannabis industry continues growing at this triple-digit rate, it'd prove to be an unwise move to take the first big offer that comes rolling in. Instead of buttering up for an acquisition, Battley and company are focused on growth and innovation.

In a decade or so down the road, we'll likely see the pool of cannabis players decrease substantially. My bet is that Aurora will still trade on the TSX, but at a much heftier multiple. And as Constellation Brands gradually gobbles up what remains of Canopy's shares, from a longer-term perspective, it's looking as though there's way more upside to be had with Aurora stock.

Even though the lack of a major dance partner puts Aurora stock at a greater risk of downside alongside broader industry-wide moves, I think pot investors should still lean toward Aurora with their pot portfolios.

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