



## Aphria-Tilray Merger: Is the Cannabis Trade About to Heat Up Again?

### Description

The spotlight shined on the cannabis scene on Monday following *BNN Bloomberg's* initial report that **Aphria** (TSX:APHA)(NASDAQ:APHA) and **Tilray** ([NASDAQ:TLRY](#)) were engaged in advanced merger talks. The blockbuster deal will reportedly see Aphria pay a 23% premium on shares of Tilray as of the market's close on December 15. Tilray stock surged 18.6% on Wednesday, with shares of Aphria bouncing over 6% at the open before surrendering the day's gains into the close.

The merged company will reportedly keep the name Tilray to form the world's largest pot company by total revenues. The new Tilray is crowned the new leader of cannabis, dethroning **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), which had held the title previously.

## Should you buy Tilray stock or go with another TSX pot stock before the hype returns?

With the massive Aphria-Tilray cannabis merger grabbing the headlines, the cannabis trade could easily start to heat up again, after remaining mostly dormant after the cannabis trade blew up just over two years ago.

I think the Aphria-Tilray merger opens the floodgates for further blockbuster deals, mergers, partnerships, and all the sort, as the cannabis industry looks to roar into the consolidation phase.

Now that the cannabis bubble has been burst in what has been a ridiculously underwhelming post-legalization environment, valuations on pot stocks remain depressed across the board, as speculators and gamblers have since moved on to hotter things like Bitcoin, **Tesla**, and other "sexy" momentum assets that give one a shot at making a quick buck over a very short timespan, perhaps at the cost of losing a majority, if not the entirety, of one's invested principal.

As such, I don't view the cannabis scene as excessively risky here. Heck, I'd actually look to place a bet on one of the more battered, more efficient licensed producers (LPs) like Aurora Cannabis at this juncture, while shares still trade at a considerable discount to their book value (ACB stock trades at 0.8

times book at the time of writing).

## Cannabis consolidation

With numerous up-and-coming pot stocks popping up the **TSX Index** over the years, big-league industry consolidation moves, I thought, were inevitable. The merger between Aphria and Tilray, two of Canada's larger, more influential cannabis firms out there, could draw speculators (and there are many in today's market) back into the broader basket of cannabis stocks, as they look to play "acquisition (or merger) roulette" with the hopes of making a quick buck, regardless of the downside risks.

While I'm no fan of playing "acquisition roulette," I think it makes sense to get back into your favourite pot stocks (I like **Aurora** at today's valuations) if you've yet to do so following the aftermath of the great post-legalization cannabis crash.

## Bargains remain abundant in the cannabis scene

After the cannabis bubble burst, I highlighted the [absurdly low valuation multiples](#) to be had in names such as Canopy Growth, also noting that there was still ample growth to be had over the long run, despite the lack of enthusiasm in pot stocks following the catastrophic meltdown in their share prices.

With a deep-pocketed dance partner in **Constellation Brands** standing in Canopy's corner, WEED stock has done a better job holding its own versus the broader basket. As Canopy's smaller brothers look to join forces or find big-league dance partners of their own (perhaps with other "sin" companies like alcohol firms) to better compete with the pack, it could be off the races again for the heavily out-of-favour pot stocks going into the new year.

## Foolish takeaway

I think the Aphria-Tilray merger could generate substantial [value](#) for shareholders over the long term. Still, I would urge investors to go with a name like Aurora over the post-merger Tilray, as I find it to be one of the best deals in the cannabis space, which could be on the verge of heating up again.

### CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:TLRY (Tilray)
3. TSX:WEED (Canopy Growth)

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