Investor Alert: The Key Factor That No One Thinks About

Description

I've been extremely vocal in the past about the shareholder value destruction that was taking place during the cannabis bubble, which popped last year. I think sentiment has shifted so dramatically now that it warrants some continued discussion and reflection.

Cannabis acquisitions

Companies in the Canadian cannabis sector were paying premiums of 50-100% or more on a regular basis to acquire what were essentially shell companies. These companies had basically no sales or customer base. However, they had somehow managed to win the Health Canada licence lottery and received a licence to grow pot.

These acquisitions were often on a share-for-share basis. In essence,. little to no cash actually traded hands. We later found out, in many cases, that insiders profited in a massive way from these transactions via very shady reporting standards related to ownership.

The bubble grows

These acquisitions inflated what was already a bubble to an absolutely ridiculous size. The market seemed to cheer every acquisition accordingly. Many cannabis investors believed they were so smart to get in so early on a parabolic growth industry.

Today, any company (in the cannabis space or otherwise) that would dare engage in an acquisition would undoubtedly be hit by Mr. Market right now. Balance sheet/liquidity preservation outweighs growth in a similar, but inverse proportion to the cannabis bubble of not so long ago.

This is the point I'm trying to make: market sentiment has shifted from ridiculous on one end of the spectrum to equally ridiculous on the other end.

Choose companies making acquisitions

If you really stop to think about it, now is the perfect time to buy companies or make acquisitions. The long-term growth everyone was talking about until early 2020 won't just evaporate. In theory, the only thing that has changed, from a long-term perspective, is the price a company must pay to acquire another. This price is a fraction of what it was only a few months ago!

Thus, investors should consider companies that are growing via acquisition.

Brookfield Business Partners

With this in mind, various Brookfield companies, such as **Brookfield Business Partners**, could be a way to go. Brookfield Business Partners, like many of its Brookfield siblings, acts as a sort of private equity consolidator of various properties. Now would certainly be the time for such a company to go on a buying spree. If you like this stock, and you like what deals the company is doing, I'd recommend considering such a company at this juncture.

Having cash and being able to put it to work is really the name of the game right now. We should cheer the companies making acquisitions right now. This is a good thing, usually, if you're in it for the long term.

Stay Foolish, my friends.

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