

Which Top Marijuana Company Will Capture Germany?

Description

The German government finally passed its legalization framework for medical cannabis consumption in March 2017. The country's market is expected to record modest growth with its high 82 million population and a policy that allows prescriptions to be paid through health insurance plans, thus potentially encouraging patients to explore medical cannabis health benefits.

Local marijuana producers with vast experience in mass growing of high quality product and hungry to capture the lucrative €12 – €15 a gram (roughly C\$17 – C\$21.75 per gram) German medical cannabis market, have been taking positions in growing their international business portfolios.

Some of the top local growers have already established footprints in Germany, but which among the local players is likely to gain significant traction in the new market?

Canopy Growth Corp

The local market leader, **Canopy Growth Corp.** ([TSX:WEED](#)) has already made a significant investment in Germany. The company acquired **MedCann GmbH Pharma & Nutraceuticals** (MedCann) back in November 2016. MedCann, a distributor, has successfully placed Canopy's Tweed branded cannabis strains into German pharmacies.

The German distribution model strictly confines cannabis sales to the pharmacy distribution model and no direct sales shall be allowed. Since all sales shall take the wholesale distribution channel, Canopy is already at a first mover advantage in this market.

Canopy has indicated that it is interested in producing cannabis locally in Germany with the expansion of the local program. With Germany expecting to launch a domestic cannabis cultivation initiative by 2019, Canopy is likely to try broadening its expansion program in the country.

Aphria Inc.

Aphria Inc. (TSX:APH) has recently announced an international expansion program that is currently focused on the United States market, and has committed \$25 million to an investment in Florida. Its not yet clear whether it intends to make serious investments in the new German market, but it has been eyeing this market for some time.

Although it had not yet made any formal engagements in Germany by January 2017, the CEO Vic Neufeld, in an interview with the **Midas Letter** openly stated that Germany has been very much on Aphria's radar, and the company once engaged in dialogue with two different organisations pertaining the German market.

However, Aphria has been very cautious in their Canada and U.S. expansion programs so far. It seems the company has a slow-but-sure approach to doing business as its Canadian operations have shown, so I do not expect an overly vigorous and aggressive German expansion program from them.

Aurora Cannabis Inc.

One of the fastest growing and most aggressive marijuana producers, **Aurora Cannabis Inc.** (TSXV:ACB), has recently announced a \$75 million convertible debenture offering which is likely to close on April 26, 2017, with a clear intent of using the funds to “aggressively pursue international expansion opportunities,” says CEO Terry Booth.

The company believes the \$185 million cash position gives them the strongest cash balance “in the global cannabis sector,” and Aurora wants to play a leading role “in **multiple emerging global cannabis markets.**”

Its most likely Aurora may attempt a German expansion route. Given the company’s growth style, it goes big on ventures and seeks aggressive expansion. These traits have seen it emerging to become a serious top contender in the Canadian marijuana space in a very short time.

Most noteworthy, Aurora is already listed on the Frankfurt Stock Exchange in Germany and raising expansion funds locally may be relatively easier.

Investor takeaway.

It's not yet clear who among these top marijuana companies may become a serious investor in Germany, but Canopy already commands a serious lead.

There are other serious Canadian contenders to the German market, like the soon-to-be-listed **Maricann Group Inc.**, which is already trying to acquire an 800,000 square foot facility and likely seeking a cultivation license in Germany, and **CanniMed Therapeutics** and the **Cronos Group** who already have distribution relationships in the European country.

However, there will be competition from Netherlands entities too, but the market may not be that big enough to support massive investment as yet. Canadian growers who manage to capture the infant German market may be rewarded though, as they will gain first mover advantages into the opening European market.

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2. TSX:WEED (Canopy Growth)

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