

Aurora Cannabis Inc.: The Latest E.U.-GMP Certification Has Come at a Critical Moment

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) announced on December 11, that it has received the most sought after European Union (E.U.) Good Manufacturing Practices (GMP) certification for its Canadian operations and for its leading Germany subsidiary, Pedanios GmbH.

This certification is a critical must-have for an aspiring supplier to the broader E.U. market to supply medical or pharmaceutical products in the massive territory.

As I'd [pointed out](#) in June, getting GMP certification for a Canadian licenced producer (LP) has been a challenging feat locally, and the very few GMP-certified local marijuana LPs have mostly imported the service from Europe. The situation is changing on this front, though.

Aurora management was clearly very proud to have received the all-important certification, allowing the aggressively growing cannabis producer to easily export its product into the [strategically important](#) German market.

"Being one of a select few integrated cannabis companies with a global infrastructure, the required certification, and strong capitalization in a market with substantial barriers to entry, positions us extremely well to leverage our first mover advantage and continue to accelerate our growth," said Terry Booth, Aurora's CEO.

This certification could not have come at a better time.

Critical timing

Aurora's German subsidiary and E.U. distribution arm Pedanios GmbH has been getting substantial cannabis supplies from Peace Naturals, a subsidiary of **Cronos Group Inc.** (TSXV:MJN), after Pedanios signed an exclusive E.U. distribution agreement with Peace Naturals back in December 2016.

There was a scramble for supplies from the very few GMP-certified cannabis growers at the time, with only Tilray (a privately held marijuana powerhouse) and Peace Naturals being listed as operating GMP-certified facilities in Canada, yet there was a good number of GMP-certified distributors wishing to import cannabis into Germany and the E.U.

However, a big event was announced on October 12, 2017.

Cronos Group entered an exclusive, five-year distribution agreement with G. Pohl-Boskamp GmbH & Co. KG, a formidable pharmaceutical giant whose global subsidiaries will provide an estimated 12,000 pharmacies throughout Germany with Peace Naturals cannabis products.

In the press release, Cronos Group announced it will begin shipping cannabis to Pohl-Boskamp this

quarter and "...will terminate all other existing German supply agreements following this announcement."

This was a direct reference to the standing Pedanios exclusive contract.

Thus, Aurora may be faced with a critical supply gap for Germany that needs to be filled fast, or else it risks failing to satisfy supply promises to Pedanios's network of more than 1,500 pharmacies in the E.U. territory, where there are reports of a critical shortage of legal marijuana to serve the exponentially growing Germany patient numbers.

Pedanios may have other supply agreements already lined up, since the GMP certification landscape is fast changing, and there is a growing number of GMP-certified cannabis growers throughout the world now, as professional GMP compliance teams, like Orion GMP Solutions, claim to be enjoying a growing client portfolio.

However, I believe the scramble for E.U.-GMP-certified cannabis suppliers is still present among certified distributors, and the German market is still underserved.

Aurora is now better positioned to quickly fill up the Peace Naturals supply withdrawal gap from its own Canadian assets, as it has fully GMP-certified cannabis grow facilities now.

The big problem

Aurora is also struggling to fully satisfy its growing Canadian client base, as evidenced by the persistent wholesale purchases from other LPs locally.

Increasing product shipments to Germany will exacerbate its local supply gap and require Aurora to increase local wholesale purchases, probably giving up some profit margins.

Aurora has not been specific as to which of its facilities has been GMP certified, but I did get confirmation that Aurora is constructing its facilities to GMP standards, including the flagship 800,000-square-foot Aurora Sky and the new Aurora Vie facility in Quebec, which may be ready for initial production by now.

Aurora hopes the current hostile takeover bid for **CanniMed Therapeutics Inc.** will work out; maybe the supply gaps could be minimized.

Even after its recent H2 Biopharma acquisition, Aurora needs to do something very fast, anything reasonable, to rapidly expand production and up the game against the growing cut-throat competition locally and in Europe.

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