



## Aurora Cannabis Inc. Strikes it Big in Italy: Time to Buy?

### Description

Canada's aggressively growing marijuana producer, **Aurora Cannabis Inc.** ([TSX:ACB](#)), has just added Italy as another one of its European Union (E.U.) hot business territories; the company was the sole winner in a recent medical cannabis supply tender in the nascent cannabis market.

As reported on January 18, Aurora, together with its wholly owned Germany-based subsidiary Pedanios GmbH, has been awarded a critical government tender to supply the rapidly growing Italian market with medical cannabis.

The Italian market has become grossly undersupplied, as the only licensed marijuana grower, the Italian Ministry of Defence, is failing to meet the ever-growing market demand in the country.

Aurora will supply medical cannabis to the Italian market through exports to Pedanios in Germany, which will then export to Italy's Ministry of Defence, which oversees the distribution of the product across the country.

### Growth potential

There is so much growth potential to be realized in Italy, a country with a population size of about 60.6 million people, making it the second-most populous country in the E.U. after Germany.

Italy legalized medical cannabis in 2013, and the Italian Ministry of Defence, which was the sole producer, supplier, and distributor of medical cannabis in the country, is failing to meet the surging demand for the product.

The Italian National Health System recently made a decision to reimburse medical cannabis prescription costs to patients, and there are ongoing legislative initiatives to make medical cannabis widely accessible to patients in the country, further accelerating cannabis market growth in the country.

### First-mover advantage to be enjoyed in the territory?

There are seven other entities with Italian cannabis import licences, including **Nuuvera Inc.**

(TSXV:NUU), a recent investee of **Aphria Inc.** Nuuvera announced that it has become the first Canadian company to hold an Italian cannabis import licence after acquiring one of the seven Italian licensees FL-Group.

It would seem that Aurora is the eighth marijuana player to dab into the Italian market, excluding the Italian defence ministry, which has been historically growing the medical magic plant for domestic patients.

While it may not be the only supplier in Italy, Aurora is [gaining significant traction](#) and first-mover advantages in Europe and could make it big in the nascent industry.

### Supply capacity constraints

As [previously discussed](#), Aurora may suffer from supply capacity constraints during the early months of 2018 after a cut off of supplies from **Cronos Group Inc.'s** (TSXV:MJN) subsidiary Peace Naturals.

Aurora may likely struggle to meet increasing E.U. demand due to stringent E.U. Good Manufacturing Practices (GMP) requirements that generally block supplies from uncertified facilities into Europe. It may rely on its 55,200-square-foot, recently GMP-certified Alberta facility for exports to Europe, while looking for more supply deals with other few licensed producers with GMP-certified facilities.

However, with early product expected from the new Aurora Vie (40,000 square feet) facility and first harvests from a near-production-ready portion of the Aurora Sky (800,000 square feet) facility under construction at Edmonton Airport, supply constraints may be mitigated soon.

The latest deal with The Green Organic Dutchman Holdings Ltd. giving Aurora the right to purchase up to 23,000 kilograms of dried cannabis per annum from the investee's two facilities could become handy, as the company braces for the coming recreational market upon legalization in Canada.

### Investor takeaway

It is encouraging that Aurora is expanding its global market reach and aggressively doing so. If the same happens across the whole sector, then there could be some hope that the current high equity valuations will be justified much earlier.

The stock traded up 5.28% after the news amid a general decline in marijuana stocks. It could pay more to wait for potential dips in the stock, as momentum is currently declining in the sector.

Most important, investors should watch closely the outcome of Aurora's talks with **CanniMed Therapeutics Inc.** (TSX:CMED) after the two have agreed to a standstill until January 21, 2018, at 11:59 pm (EST), and the CanniMed shareholder vote was postponed to January 25 to allow for negotiations.

Aurora's hostile takeover attempt could become a negotiated friendly merger with CanniMed, the oldest licensed marijuana producer in Canada.

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