



Why Did Aurora Cannabis Inc. (TSX:ACB) Avoid Reporting on This Stock-Friendly Provincial Deal?

Description

Canadian cannabis sector news on July 11 included the big announcement that British Columbia's sole legal wholesaler of recreational marijuana, the Liquor Distribution Branch (LDB), had finally inked some important annual supply deals with several licensed producers (LPs) to supply the province with recreational marijuana during the first year of sales commencing on October 17.

Aurora Cannabis Inc. ([TSX:ACB](#)) was among the 31 selected LPs to supply product to the province, but I couldn't find any announcement of this latest provincial supply deal from the company, which is very unusual for the aggressive Aurora management team.

The company has been one of the best communicators in the sector, celebrating every small win with enthusiasm as it went on a strong growth trajectory during 2017. It's unlike Aurora to choose silence and decide not to make an announcement to the public on such positive developments.

Did the company consider the deal immaterial news?

Soon after [beating Canopy Growth Corp.](#) in the battle for similar deals in Alberta recently, one would expect the LP to update the market of recent gains in its distribution portfolio.

Canopy inked a deal to supply about 5,719 kilograms of recreational marijuana to B.C. in the first year of sales. Its latest acquisition, Hiku Brands Company Ltd., also won a supply contract in the province through its B.C.-based craft grow subsidiary DOJA Cannabis Ltd.

Aphria Inc., a strong competitor in the space, also managed to clinch a 5,000-kilogram annual supply deal in B.C. Aphria's significant volumes are likely boosted by the fact that it got two contracts, one in its name and another through its premium acquisition Broken Coast Cannabis Ltd., a B.C.-based craft grower.

The other LP to sign a significant B.C. deal, among those that decided to reveal the numbers, is **Maricann Holdings Inc.**, which will supply about 3,622 kilograms of cannabis to the BCLDB in the first year of non-medical cannabis sales. This is a significant win for the small player. Maricann now has

three provincial supply agreements in its portfolio.

Aurora will also benefit from **MedReleaf Corp.'s** supply deal, as its acquisition of MedReleaf recently received shareholder approval. Just like in its announcement of the Alberta provincial deal, MedReleaf did not release the deal numbers.

It is possible that Aurora management did not get as big a deal as they would prefer; otherwise, they would have made some noise about it.

Most noteworthy, the deal numbers involved, even for the big players, were very small. The LDB mentioned in its announcement on the day that it "has developed its product assortment with the aim of being as inclusive of as many licensed producers as possible." So, much rationing might have gone into deal size allocations.

It's not like the company's investor relations desk was dormant that day though. The company made three media announcements on the same day, two of which included pre-rolled products. Probably, these three news pieces were deemed more material than the B.C. supply deal, making me doubt if the deal was anywhere near the size of that for Canopy and Aphria.

Investor takeaway

Provincial supply agreements are likely to be a big differentiating factor for the nascent industry's players, creating critical distribution portfolios. It's those LPs that will manage to generate the most vibrant sales channels that will rule and survive the cut-throat competition in the marijuana market during the first few years of recreational sales. [Productive capacity alone](#) may not be the key to conquering the marijuana space in Canada, even globally.

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