

Aurora Cannabis Inc.'s (TSX:ACB) Rumoured Deal With The Coca-Cola Co (NYSE:KO) Is Likely Real

Description

Aurora Cannabis ([TSX:ACB](#)) stock is on a breakout after closing Monday more than 16% high at \$9.98, as the market sifted through the all bullish rumours that the aggressively growing marijuana producer is in high-level talks with leading global beverages maker **Coca-Cola** ([NYSE:KO](#)).

This news piece comes on the heels of Aurora's \$14.9 million acquisition deal of two related European hemp market leaders, namely Agpro UAB and Borela UAB, which was announced on September 12, and it makes more sense now why the company has been this keen on a hemp strategy lately, as the move is well in line with the rumoured Coca-Cola negotiations.

Industrial hemp is a sister biological species to cannabis, which is very rich in non-psychoactive cannabidiol (CBD), a cannabis extract that is rapidly becoming famous for its numerous medicinal properties. Aurora's long-term plans with hemp investments could create a significantly huge growth opportunity in the nascent industry.

It's part of the vision

The rapidly growing marijuana player is now a majority shareholder in **Hempco Food and Fiber** after recently exercising an option to increase its equity stake in the hemp outfit to 52.5%. There have been some serious efforts to introduce new products and develop new hemp product markets after Hempco's foray into South Korea hit a snag after a sudden surge in cheap, low-quality product supply from the Asian market impacted sales.

I once covered the discussion on [why a hemp investment is a strategic fit to Aurora](#), but I never would've figured out a possible deal with a global beverage giant like Coca-Cola back then.

Agpro and Borela gave Aurora access to more than 1,600 hectares of contracted hemp farmland that could potentially yield upward of 1,000,000 kilograms of organic hemp with additional contracts available to expand to more than 3,000 hectares across four European countries.

Aurora's management stressed a new product development agenda into the health and wellness market and the intention to fully utilize the hemp leaf and flower, which farmers have been abandoning in the fields.

The company also made a significant investment in extraction technologies developer **Radiant Technologies** with the goal of applying Radiant's proprietary and faster extraction methods to cannabis, the success of which availed to Aurora a cost-saving asset that can be easily deployed in hemp CBD extraction for a significant boost in Aurora's CBD production capacity.

Enter the Coca-Cola negotiations.

A deal in which Aurora collaborates with the heavily capitalized beverage giant is big news. The marijuana player has made all the moves that make it ready to supply huge CBD volumes that Coca-Cola may need in producing cannabis-infused beverages across several world markets to generate the new growth opportunities that the Coke maker needs after a global slowdown in soda beverage sales has resulted in negative top-line growth for the enterprise.

The ball is set to roll

The Europe hemp acquisitions announcement stated, “post-acquisition, Aurora intends to extract, refine and productize the organic hemp biomass into a wide range of organic CBD-based wellness products to generate new and significant revenue streams in this burgeoning market,” and the rumoured Coca-Cola deal is also set to roll out a similar product group.

Whether the deal will go through or not remains to be seen, but, in my opinion, both firms could greatly benefit from a collaboration. With the increasing recognition of the medical and general health benefits of CBD-based products, there is reason to be bullish about this latest market rumour.

Buying the rumour could yield investors some short-term gains on Aurora stock, which has significantly underperformed peers this year.

That said, I do not anticipate a deal the size of the **Constellation Brands/Canopy Growth** magnitude for now, and the two firms may go the joint-venture route as they develop new products, hence the surge in Aurora’s valuation may not be as high as that of Canopy’s after a recent \$5 billion equity deal.

Investor takeaway

Momentum has returned to cannabis’s most aggressive stock, and an investment anywhere near the magnitude of a Canopy-Constellation one at this time could set the stock on steroids.

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