



This Is the Best Pot Stock for Growing Global Demand

Description

On January 8, Cowen analyst Vivien Azer released a report estimating the U.S. marijuana market to be worth between \$40 billion and \$50 billion. By 2030, it's expected to reach \$80 billion — that's up from her previous estimate of \$75 billion.

In 2017, five million Canadians purchased just shy of \$6 billion of cannabis. While the Canadian market is significantly smaller than the U.S., the numbers still imply a whopping \$1,200 annual spend per customer. Ultimately, however, the market is expected to top out at roughly \$9 billion in Canada.

If Canadian pot producers want to realize their full potential, they'll need to capitalize on foreign markets like the U.S. But not all producers have the same exposure to growing international sales. If you're looking to benefit from burgeoning marijuana markets around the world, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) is your best bet.

Five continents, 22 countries

Aurora is the largest legal cannabis producer by scale and sales in the world. It has sales exposure in 22 countries across five continents and holds leading medical marijuana market shares in both Europe and Latin America. The company has 11 production facilities in multiple countries, three of which hold E.U. certifications.

Current run-rate production stands at just 70,000 kilograms per year, but new production facilities will push volumes to 150,000 kilograms by early 2019. By mid-2020, Aurora expects to achieve output of 500,000 kilograms, most of which will be produced in Canada and Denmark.

While a global reach allows it to tap nascent international demand, it also gives the company critical scale in an industry where low-cost production is crucial for success. Aurora should be able to produce cannabis for under \$1 per gram over time, giving it impressive margins considering wholesale prices are around \$7 per gram.

Scale also allows Aurora to invest in differentiated products and research. Currently, it has more than

40 clinical studies in progress or completed, most of which used its 70,000 medical patient customer base.

North American troubles outline need for international exposure

Aurora has a proven ability to tap markets outside Canada and the U.S. Given current supply gluts, this should give the company an edge in the years to come.

For example, Aurora was the first company to receive a cannabis import permit from the Polish Ministry of Health. It was also the first company allowed to ship medical cannabis to Malta. It was the first to ship medical cannabis to Denmark and the first to export cannabis from Canada to Italy in mid-2018. That's a lot of firsts.

On January 7, news headlines wrote that Oregon was "drowning in one million pounds of excess weed." According to Adam Smith, founder and director of the Oregon small business association Craft Cannabis Alliance, the state is "looking at hundreds of millions of dollars of local capital that is at imminent risk." The inability for Oregon producers to export their product has put the entire statewide industry in chaos.

Don't put your eggs in one basket

As the cannabis market opens and matures around the world, it's important not to make a singular bet on any one country, particularly because regulations, supply, and competition can change in a heartbeat. Aurora has a proven ability to tap international markets. On many occasions, it was the first company in the world to do so.

If you're making a bet on growing global demand for cannabis, Aurora remains your best bet.

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