



Aurora Cannabis (TSX:ACB) Beats Aphria (TSX:APHA) to a Critical Licensing Game

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) announced on Monday that it has received full licensing for production and sale of cannabis and cannabis extracts at its flagship Aurora Sky and MedReleaf Bradford grow facilities that were recently under construction.

This licensing receipt came ahead of **Aphria's** (TSX:APHA)(NYSE:APHA) flagship Aphria One facility expansions and Aphria Diamond facility retrofit that has seen lengthy delays and have seriously hampered the company's efforts to significantly increase production volumes and compete in the nascent industry for market share.

Most noteworthy, Aurora has been receiving partial licences for the Aurora Sky during the build-out stage. Even before construction works had been completed at the facility, the company has been obtaining licences for completed bays at commenced production, boosting production capacity significantly.

Aphria completed Part IV expansion at its flagship facility on schedule last year, and was awaiting Health Canada licensing by October 2018 and first product sales were scheduled for January this year.

The final Part V expansion at the Ontario facility was completed some time ago, Aphria Diamond retrofits were completed in time as well last year, and the company was expecting a full production ramp up to 255,000 kilograms per annum by the first quarter of this year pending Health Canada licensing. Painfully, there has been no production licence receipts yet, and the company is still stuck at around 30,000 kilograms per annum productive capacity.

Which stock is the better buy?

As things stand today, Aurora Cannabis is on course to become operating cash flow positive this year, and the company's target to make 25,000 kilograms of marijuana ready for sale during the next quarter has just been made easily possible with the latest facility licensing.

The company is now more capable of gaining a stronger market share position ahead of the competition, giving it a priceless first-mover advantage. Aurora claimed to have obtained a 20% market share in the consumer market last quarter, and if branding was allowed, the early gains could have been more permanent.

Canopy Growth harvested just 7,556 kilograms of marijuana last quarter from its 4.3 million square feet of productive space, but Aurora is closing in on the market leader very fast after producing 7,822 kilograms during the same period, beating the leader on quarterly production for the first time. The younger competitor's target to grow revenue and become operating earnings positive by midyear has been significantly aided by the latest and timely licence wins.

Further, Aurora's forays into Europe have been significantly constrained by product availability during the past year. Only product from E.U. GMP-certified facilities is readily acceptable into the new E.U. medical cannabis growth market. The company can be expected to start reporting a better quarterly revenue run rate from Germany and the E.U. exports, as it commits more product from its two certified facilities to this high-margin market.

That said, Aphria could still receive its long-overdue production and sales licences on completed facilities any time and be able to ramp up production too. The company has a seemingly lower operating breakeven point and thus could quickly become operating earnings positive at a lower sales volume point than its more aggressive competitor, but as things stand, Aurora has the better growth prospects.

Aphria stock could potentially maintain its growth momentum after recently [rebutting troubling short-seller claims](#), but there is a hanging cloud of filed investor class-action lawsuits that could rock the stock this year.

Bottom line

Aurora's management team seems to be executing better than its competition. The company is undoubtedly very good at navigating tough regulatory environments, as evidenced by timed licensing wins when others are struggling to get similar approvals. This is a great attribute that could help strengthen its stock going forward.

Aphria has since moved its expected production ramp up to full capacity from an early 2019 target further to the end of this year, and that's not very encouraging, as it shows a serious lack of confidence in obtaining new production licences in the short term. Delayed licensing may mean delayed value creation at the company.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/24

Date Created

2019/02/26

Author

brianparadza

default watermark

default watermark