



## Aurora Cannabis (TSX:ACB) and Aphria (TSX:APHA) Get a Leg Up on the Competition

### Description

For the most part, marijuana stocks have [been bid up](#) for one reason: the legalization of recreational marijuana in Canada. Pot stocks have sky-high valuations, and at the moment, their success as investments is dependent on this recreational demand.

Lost amid the recreational hype is medical marijuana. Most pot stocks got their start as licensed medical marijuana producers. Major players, such as **Canopy Growth**, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and **Aphria** (TSX:APHA)(NYSE:APHA) all had a leg up on the competition thanks to their status as reliable and high-quality medical marijuana producers.

Last week, one of Europe's biggest markets, Germany, announced the winners of its recent tender for licensed producers and distributors of medical marijuana.

### German medical marijuana

On Thursday, the German government announced that three companies had split the 13 lots available. Aurora Cannabis and Aphria were among those three. Although the agreements are subject to a 10-day waiting period, there is no reason to believe these contracts won't be finalized.

Aurora announced that it was awarded five of the 13 lots — the maximum number any single suppliers could win. Over the course of four years (the duration of the contract), Aurora will supply at minimum 4,000 kg of marijuana.

Aphria was also awarded the maximum number of lots (five). Its minimum capacity is much lower however, at 200 kg annually.

The numbers don't seem like much, and they aren't. So, why are these contracts important?

## Europe's largest pot market

For starters, Germany is Europe's largest medical marijuana market. It is estimated that the market was worth US\$78 million in 2018 and is expected to rise to \$2.7 billion by 2023. That is a compound annual growth rate of 672%!

Germany is facing significant supply shortages, which was the catalyst to go to tender. Since legalization in 2017, existing suppliers have been unable to keep up with demand. As such, patients have been paying a high price for products.

The minimum supply agreements aren't significant enough to move the needle. However, it is important to note that these are minimums and they are now key suppliers in a [massive growth](#) market. Much like they had positioned themselves in Canada before recreational legalization, they now have a leg up on the competition in Germany.

Likewise, securing agreements with Germany's government increases their legitimacy as producers. Much like Canada, Germany has very strict regulations. This should enable them to enter other European markets more seamlessly.

## Foolish takeaway

Coming out as winners in Germany's recent tender is a significant catalyst. There were over 79 applications and only three were selected. Not only does it give Aurora and Aphria access to the high-growth German market, it positions them well to execute their European strategies.

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mlitalien

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