



Aurora Cannabis Inc. (TSX:ACB): Time to Take a Closer Look

Description

The battle for supremacy in the cannabis space is getting furious as the months roll on. So far this year, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) seems to be steamrolling to greater success. **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) has the upper hand in terms of market cap but is lagging behind in performance.

Aurora Cannabis only has an individual [strategic advisor](#) to fight the battle compared with the big corporate names rivals have tapped as partners. Nonetheless, the company is hanging on. But eventually, Aurora Cannabis will bank on only one solid game plan to conquer the global market and assume leadership position.

The big push

Even before the legalization of recreational weed, it's no secret that Aurora Cannabis sees no other way to beat competition but through production capacity. The company is destined to become the leading cannabis producer in Canada. No rivals can match the huge production potential of Aurora Cannabis.

The company is dead serious in bumping up its production capacity to as high as 780,000 kilograms annually. The capacity of the organically built Aurora Sun project in Alberta is being expanded from 1.2 million square feet to 1.62 million square feet.

The facility's expansion would increase the projected annual yield of 150,000 kg by 33% or 230,000 kg upon completion. The expected production output from the one-million-square-foot Nordic 2 joint venture in Denmark is about 120,000 kg per year.

For the 800,000-square-foot Aurora Sky facility, 100,000 kg is the likely annual production output. The more than 1.1-million-square-foot facility in South America, which Aurora bought from ICC Labs, is good for another 80,000 kg yearly. When all these projects, Aurora can rule the market by 2021 or 2022 at the latest.

The battle is in the international markets

If Aurora Cannabis and all competitors are enhancing production capacities, the industry players themselves might create an oversupply problem. It's not a major concern yet, as most of the cannabis growers will operate at full capacities by 2021.

Chief rival Canopy Growth garnered the largest market share in the adult-use recreational market in Canada. But the Canadian market is not as big as the U.S. or foreign markets.

The real battle for supremacy will be fought in the international medical cannabis markets. Currently, it's a neck-and-neck race with Canopy Growth in Europe. Aurora's sales reached \$2.9 million — just \$200,000 more than Canopy but enough to land in the top spot.

Success is not guaranteed

The one solid game plan of Aurora Cannabis is too aggressive and entails heavy expenditures. The huge spending automatically threatens [earning potential](#). Even if the company succeeds in the international markets and leads the way in production, generating huge profits will take a couple of years or more.

Aurora Cannabis's long-term growth is dependent on global demand and higher margins. As more countries lift the prohibition on cannabis, there will be a supply shortage which the company hopes to fill. Until then, shareholders are not yet assured of high returns.

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