



## Aurora Cannabis (TSX:ACB) Dominates Exports

### Description

**Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) is a global medical cannabis company founded in 2006. The company maintains nine popular medical cannabis brands, including Aurora, CanniMed, and MedReleaf. Exclusive foreign government supply contracts with Italy, Germany, Brazil, and Australia give Aurora a definite advantage over competitors.

Aurora's stock price has not done as well as peers such as **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **Cronos Group**. Based on data from the most recent quarter, Aurora's equity per share is lower than Canopy Growth, and its debt load is much higher. Nevertheless, these balance sheet figures may be more misleading to investors than helpful.

Contrary to what investors might infer from its balance sheet, Aurora offers highly valuable strategic partnerships, foreign government supply contracts, and brand acquisitions. Aurora's balance sheet valuations don't give these investments enough credit.

## Aurora Exports to Germany and the U.K.

Aurora has an international advantage over its peers, including Canopy Growth. At the beginning of 2019, Aurora began regular exports of cannabis oil to the United Kingdom and Germany. Moreover, Aurora owns valuable [long-term](#), exclusive contracts with foreign governments to sell cannabis oil.

The U.K. and German pharmacies are now dispensing Aurora's medical cannabis oil by prescription. In addition to government contracts, Aurora boasts an extensive portfolio of pharmaceutical partnerships with recognizable names such as PharmaChoice, Pharmasave, and Shoppers Drug Mart.

The current investor favourite, Canopy Growth, has yet to build as broad of an export portfolio as Aurora.

## Aurora expands product line

Aurora's acquisitions are strategically brilliant. This quarter, the company announced the additions of **Hempco Food and Fiber** and Chemi Pharmaceutical.

Hempco expands Aurora's brand portfolio to Planet Hemp and Praise. Under these brands, the company markets products such as hemp protein powder and cold-pressed hemp seed oil. Certified organic, vegan, raw, and kosher, these niche, specialty foods are popular among trendy millennials interested in burning extra cash on health-conscious diets and brands committed to socially conscious sourcing practices.

Chemi adds critical research and development capacity to Aurora. The company develops innovative products for antiseptic, skincare, and medical applications. In the next two years, Aurora will likely have some exciting product releases to announce as the company develops cannabis-based beauty and first-aid products.

## Foolish takeaway

Canopy Growth and Aurora both report balance sheet equity valuations that don't tell the full story. Aurora offers long-term value beyond current equity valuations given the company's vast portfolio of brands and export contracts in high-growth markets.

This means that investors should be careful to avoid comparing Aurora and Canopy Growth's balance sheets to determine which is the better buy. Aurora may prefer low-cost debt to high-cost equity financing. The volatility and high cost in equity markets are an incentive for Aurora to avoid considerable market value per share valuations.

The lesson is to not judge a stock by just its book value, as there is often a lot more going on in between the lines. Savvy investors interested in capitalizing on this newly legal industry may want to consider placing an \$8 good-until-fulfilled buy order for Aurora stock and then wait out the volatility. Eventually, Aurora will deleverage, become flush with capital, and start investing in its own shares. That's when patient investors will start to see the stock's [true market value](#) emerge.

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