

Aurora Cannabis Inc

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Cantor Fitzgerald: Don't give up on Canadian cannabis companies just yet

The grass is going to get greener for Canadian cannabis producers, say analysts at Cantor Fitzgerald. It's only a matter of time.

Valuations are at two-year lows, the firm said in a research note on Monday, and positive catalysts outweigh negative ones over the next year.

One such catalyst is the anticipated continued growth in the recreational cannabis sector. The recreational market in Canada is 12 times smaller than the market in Colorado, which analyst Pablo Zuanic said is encouraging given the constraints the sector has faced.

READ: Israeli cannabis companies flower on the Canadian Securities Exchange

For instance, only dried flower and oils were permitted in the first year of legalization, while marketing visuals were restricted and many dispensary openings were delayed.

Recreational cannabis sales hit C\$127 million in July, and at the end of August, sales showed 50% growth quarter over quarter. All told, the firm expects the Canadian recreational market to be worth C\$4.5 billion by 2022.

To that end, Cantor Fitzgerald initiated coverage on six Canadian companies:

- Aurora Cannabis Inc (TSE:ACB) was rated Neutral with a price target of C\$5.10, implying 8.7% upside
- Aphria Inc (TSE:APHA) was rated Overweight with a target of C\$10.40, implying 52% upside
- HEXO Corp (TSE:HEXO) (NYSE:HEXO) was rated Underweight with a target of C\$2.40, implying 16% downside
- Organigram Holdings Inc (TSE:OGI) was rated Overweight with a target of C\$17.10, implying 283% upside
- Tilray Inc (NASDAQ:TLRY) was rated Neutral with a target of US\$20, implying 7.5% downside
- Canopy Growth Corporation (TSE:WEED) (NYSE:CGC) was rated Neutral with a target of C\$27, implying 4.2% upside
- Aurora and Canopy, though neutral, were placed in the firm's "positive watch" category.

Medical cannabis, meanwhile, could also serve as a catalyst outside of Canada.

Germany, a significant medical cannabis player, is projected to see per capita medical marijuana spending increase to \$12 from \$3 this year, according to BDS Analytics. For comparison, Colorado spends \$58 per capita, leaving a wide window open for growth.

Additionally, even though the ratings vary, the analyst note emphasized the promise of Canadian legacy producers as a

Price: 3.21

Market Cap: \$3.37 billion

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: ACB

Listing: TSX

52 week High Low
13.67 2.82

Sector: Cannabis

Website: auroramj.com

Company Synopsis:

A community minded medical cannabis company based in Vancouver, British Columbia.

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whole.

Aphria and Organigram, the two Overweights, saw shares grow in Toronto by 0.4% to C\$6.76 and 5.5% to C\$4.57, respectively.

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