

Aurora Cannabis Inc ACB (XTSE)

Morningstar Rating ★★★★ 10 Nov 2020 18:10, UTC	Last Price 11.01 CAD 10 Nov 2020	Fair Value Estimate 34.00 CAD 10 Nov 2020 18:05, UTC	Price/Fair Value 0.32	Trailing Dividend Yield % — 10 Nov 2020	Forward Dividend Yield % 0.00 10 Nov 2020	Market Cap (Bil) 2.35 10 Nov 2020	Industry Drug Manufacturers - Specialty & Generic	Stewardship Standard
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Morningstar Pillars	Analyst	Quantitative
Economic Moat	None	None
Valuation	★★★★	Undervalued
Uncertainty	Extreme	Very High
Financial Health	—	Moderate

Source: Morningstar Equity Research

Quantitative Valuation



	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	0.52	0.80	0.82	0.75
Price/Earnings	—	140.1	26.5	15.2
Forward P/E	-8.2	—	11.3	10.8
Price/Cash Flow	—	—	18.4	8.4
Price/Free Cash Flow	—	—	27.3	14.9
Trailing Dividend Yield%	—	—	1.50	3.71

Source: Morningstar

Bulls Say

- ▶ Aurora has rationalized its production facilities and head count, significantly reducing its cash burn.
- ▶ Cannabis cultivation is complicated, including challenging operational ramp-ups and optimization. Aurora's strategic focus on its cultivation operations will help it achieve lower production costs than peers.
- ▶ Aurora's agreements with three major Canadian pharmacy chains strengthen its medical cannabis business.

Bears Say

- ▶ Technological and process-based cost advantages that are not protected by patents are eventually replicable. Aurora's focus on lowering its production costs may be imitated by competitors.
- ▶ Aurora lacks a strategic alcohol, tobacco, or pharmaceutical partner that can help it expand beyond simple cannabis cultivation or provide necessary funding when capital market access is tight.
- ▶ The existence of the black market limits the potential price increases Aurora can push through to consumers.

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Aurora Continues to Cut Costs and Improve Path to Profitability; Raising FVE to \$26

Business Strategy and Outlook

Kristoffer Inton, Analyst, 22 September 2020

Aurora cultivates and sells cannabis predominantly in Canada but also exports into the global medical market.

Aurora considers itself a medical cannabis company first but has benefited from the legalization of recreational cannabis in Canada in 2018. Recreational now accounts for nearly 50% of gross sales and has been rising, although this share is slightly lower than peers. We expect the medical market to shrink due to recreational legalization but forecast roughly 10% average annual growth for the entire Canadian market through 2030, driven by the conversion of black-market consumers into the legal market and new cannabis consumers.

Aurora has expanded its global medical exports, currently shipping to more than 20 countries. The global market looks lucrative, given higher realized prices and the growing acceptance of cannabis' medical benefits. Exporters must pass strict regulations to enter markets, protecting early entrants like Aurora. Partially offsetting the global markets' potential for Canadian producers are threats of future production from countries with cheaper labor—the single largest cost. Efforts to expand production into Denmark, Portugal, and Uruguay should help offset its cost-disadvantaged Canadian production. We forecast roughly 20% average annual growth through 2030.

We think the U.S. will change federal law to recognize states' choices on legality within their borders, unlocking the fastest-growing and largest potential cannabis market, which we estimate will be more than 5 times larger than the Canadian market. At present, Aurora would not benefit from a change in U.S. federal law on THC cannabis, as its only exposure is through hemp-derived CBD products through its May 2020 acquisition of Reliva.

Aurora has not entered a major strategic partnership with a large alcohol, tobacco, or pharmaceutical company. This forces it to rely more heavily on equity market access while its peers can rely on the deep pockets of a large partner for capital. This raises the risk of massive equity dilution to avoid running out of cash.

Analyst Note

Kristoffer Inton, Analyst, 10 November 2020

Aurora Cannabis' fiscal first-quarter results were highlighted by continued selling, general, and administrative expense reduction and strong international medical revenue growth. The shares closed 15% higher on Nov. 9, extending an industrywide rally that began last week amid anticipation that Democrat Joe Biden would win the U.S. presidency and spur momentum for the budding industry.

Total cannabis net revenue was nearly CAD 68 million, beating management's guidance of CAD 60 million-64 million, but it was a 1% decrease from the prior quarter. Total kilograms of cannabis sold decreased 4% from the prior quarter, offset by more than a 3% increase in the average net selling price.

Volume weakness was driven by a 16% drop in dried cannabis. However, this appears to represent some mix shift, given a 31% increase in Aurora's Cannabis 2.0 product revenue and a 4% overall increase in medical cannabis net revenue. Medical revenue was driven largely by high-margin international medical sales, up 41% over the prior quarter. We forecast roughly 20% average annual growth for the global medical cannabis market through 2030.

Aurora has continued to reduce SG&A, recording roughly CAD 44 million, down CAD 14.5 million from the prior quarter.

We've updated our model with the latest results, but our forecast is largely intact. We've raised our fair value estimate due to time value of money effects to \$26/CAD 34 per share from \$25/CAD 33 for no-moat Aurora. We maintain our extreme uncertainty rating, given Aurora's high dependence on capital markets and lack of a strategic investor.

The shares trade roughly 57% below our fair value estimate, but we reiterate our extreme uncertainty rating. Aurora's financial position continues to warrant a very

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Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
Canopy Growth Corp CGC	USD	9,133	301	-234.41	0.00
Curaleaf Holdings Inc CURLF	USD	5,766	351	5.94	0.00
Cronos Group Inc CRON	USD	2,554	37	-485.53	45.25
Tilray Inc TLRY	USD	1,349	201	-121.34	0.00

large margin of safety. Nevertheless, we think the company has made significant progress reducing its cash burn and will continue its path to profitability.

Economic Moat

Kristoffer Inton, Analyst, 10 November 2020

We assign Aurora a no-moat rating. Although there appear to be a few potential sources of competitive advantage through intangible assets and cost advantage, we see several barriers that prevent Aurora from earning an economic moat.

Regulation Intangible Assets

We believe the most likely moat source would come in the form of intangibles stemming from regulation. Cultivators and dispensaries require government licenses to operate in every market where recreational and/or medical cannabis is legalized. As a result, companies with licenses could potentially be protected from outside competition, helping establish pricing power. This could prove particularly true if holding an existing license provided an advantage for when new licenses are issued. History suggests this could be possible, as Illinois' early plans for recreational legalization would hand an advantage to companies with medical cultivation and dispensary licenses. However, even if this were the case, we see sustained positive economic profits for cannabis companies as unlikely over the next 10 years.

Challenges to Economic Profit

First, given that the cannabis industry remains in the growth stage, we think that years of significant investment will be necessary to support the robust growth in the industry. An extended capital expansion cycle through the next several years means that companies are unlikely to generate returns on invested capital in excess of their costs of capital.

Second, we see both governments and the black market squeezing cannabis cultivators and dispensaries and preventing positive economic profit generation. With

governments on national, state, and local levels reeling from budget problems, the emergence of cannabis as a legal product has come to be viewed as a funding panacea. For example, Washington state has implemented a 37% tax rate on recreational cannabis. We see this as early evidence that governments, with full control over licensing, will attempt to maximize their economics.

All else equal, on the other end of the value chain, consumers would likely bear any government tax increase, like what we would observe in the cigarette market. However, we believe the existence of a large and accessible black market effectively serves as a price ceiling that consumers are willing to pay. When California legalized recreational cannabis with a relatively high tax, the legal market shrank as consumers moved back into the black market.

We see companies like Aurora involved in the cultivation and selling of cannabis as having the least leverage against both the government and consumers. Although we'd anticipate there could be years of economic profit generation when supply has been slow to respond with expansions, we do not have confidence that cannabis companies could consistently earn positive economic profits over the next decade.

Brand Intangible Assets

Potentially offsetting the challenge of generating economic profit from regulation intangibles, we think that the creation of brand intangibles would help cannabis companies pass the increased cost to consumers, thus protecting their own economic profit. Alcohol and cigarettes are typically highly taxed, but producers of these products have established strong enough differentiation and brand intangibles that consumers are willing to pay price premiums.

Although Aurora and its competitors are attempting to strengthen their brands, we see the creation of a brand intangible within the next decade as unlikely. Canadian regulation restricts packaging to be bare and unexciting and bars direct contact between the company and budtenders, dispensary workers who provide expert advice and help consumers select their cannabis. Advertising is possible in venues in which only adults will be present, but we think limitations create meaningful barriers to brand creation. We believe that the selection

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process in Canada will be more like selecting wine than liquor, in which the choice is made on qualities rather than brand.

As cannabis shifts from its traditional smoking form to infused drinks and food products, there may be potential for the creation of brand intangibles. However, we think the development and widespread distribution of regulatory-approved infused products will take too long for a potential brand intangible to drive excess returns within the next decade.

Cost Advantage

We think that it would be unlikely for Aurora to establish a cost advantage. Due to climate, most cannabis in Canada is grown either in greenhouses or indoors. Although this allows for higher-quality cannabis to be grown, these methods are also cost much more, given the required lighting (for indoor) and climate control. Additionally, advantages in greenhouse and indoor can be much more easily imitated than geographic advantages that may be present in outdoor cultivation.

For example, cannabis grown in the Western U.S. in states like Oregon is grown outdoors. Without the need for as much equipment, costs are significantly lower, partially offset by fewer harvests and lower quality. Furthermore, labor is the single-largest cost of production for any growing method. Thus, countries with cheaper labor that have expressed a desire to establish a medical cannabis industry are likely to produce at lower cost than any U.S. or Canadian cultivator.

Fair Value & Profit Drivers

Kristoffer Inton, Analyst, 10 November 2020

Our fair value estimate is CAD 34 per share, based on a discounted cash flow with a 10-year explicit forecast.

Our fair value estimate does not explicitly include the impact from the acquisition of Reliva, given that it is a private company and no financials were disclosed.

We forecast Canadian medical volume to rise about 5% per year on average from fiscal 2020 to 2029, though we expect growth to slow as consumers shift to the legal recreational market. We forecast recreational volume to rise about 15% per year on average as distribution expands, consumers convert from the black market, and

nonconsumers become consumers. We forecast average realized prices will grow about 4% per year on average, primarily driven by the shift to higher-priced infused products. Excluding product mix shift, prices are likely to follow inflation.

We forecast about 15% average annual volume growth for Aurora's international medical business amid wider legalization and distribution. Our volume forecast is muted by the emergence of cheaper suppliers in lower-cost-labor countries. We forecast prices will rise roughly 3% per year on average, as it will take time before lower-cost producers can effectively compete.

We expect the company's operating margin excluding mark-to-market plant items will become positive by fiscal 2024. By 2029, we expect that margin to reach about 19%, due to the full ramp-up of production and fixed-cost leverage against overhead expenses.

We forecast Aurora to reach positive free cash flow generation in 2025 as profits rise and the company manages capital spending. On average, we forecast capital expenditures to be 18% of sales through our 10-year forecast period and fall to about 14% by 2029, as we think Aurora has frontloaded capacity expansion through investments and acquisition. This will allow capital expenditures to fall rapidly while still allowing Aurora to meet demand growth.

We assume a cost of equity of 7.5%, reflecting the low cyclical nature of revenue, our forecast 19% operating margin, and low operating and financial leverage.

Risk & Uncertainty

Kristoffer Inton, Analyst, 10 November 2020

As a cannabis producer, Aurora faces numerous risks, largely around regulation. However, it faces additional investing risk relative to its Canadian peers.

The most important risk is the pace and status of legalization, which determines when and where cannabis can be legally sold. Aurora's home market of Canada has already legalized recreational cannabis, but U.S. legalization remains uncertain.

Aurora acquired Reliva, a U.S. CBD company, which provides the company with some U.S. exposure. However, peers with better U.S. exposure have more potential

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upside. Current laws make it virtually impossible to operate a cannabis company in both the U.S. and Canada, excluding hemp-derived CBD. Although there is growing public support for legalization, it is politically divisive, with most Republican support coming only in the form of states' rights. This poses a risk for federal legalization and adoption of recreational cannabis.

Regulation around supply is also a risk. Businesses must be licensed by governments to operate cultivation and dispensaries, with licenses specifying production levels. However, governments have at times expanded too slowly or too quickly.

Another risk is the black market. Years of government efforts have done little to stem illegal cannabis, but a change to the ease of accessing black market supply could affect pricing power and thus profitability.

In addition to operational risks, Aurora faces significant financial risk. The company has yet to generate positive free cash flow. Unlike its peers that have funding backstops through their deep-pocketed strategic investors, Aurora has higher dependence on capital markets. There is material risk that the company would need to issue incredibly dilutive equity to fund itself amid ongoing cash burn. For example, Aurora had to offer dilutive terms to satisfy convertible note holders and issue stock at low prices through its at-the-market equity issuance program.

Stewardship

Kristoffer Inton, Analyst, 10 November 2020

We assign Aurora a Standard stewardship rating.

The cannabis industry and Aurora are in very early stages. This results in a limited record for us to assess stewardship effectiveness as well as significant uncertainty about how the industry will evolve. Should Aurora become a leader as the industry reaches maturity, we would consider assigning management an Exemplary stewardship rating, though it may take years before we can make that assessment.

Miguel Martin was appointed CEO in September 2020, replacing interim CEO Michael Singer. In February 2020, Terry Booth, who cofounded Aurora in 2013 with Steve Dobler, resigned as CEO because of the company's struggles. Martin has experience in highly regulated

industries, including tobacco, electronic cigarettes, and CBD. He had been Aurora's chief commercial officer since July 2020 and was the CEO of U.S. CBD company Reliva before it was acquired by Aurora. With Aurora's costs significantly reduced in fiscal 2020, Martin looks focused on expanding its strengths in the value segment to the premium segment.

Aurora has also enlisted Nelson Peltz of Trian Fund Management to help it explore potential strategic partnerships. We think this is an important step, as the company is the only major Canadian cannabis producer without a partner from the alcohol, tobacco, or pharmaceutical industries. The lack of a deep-pocketed partner has been problematic for Aurora, as it has had to make tough choices in order to have sufficient capital.

Aurora does not have formal benchmarks for executive compensation. Rather, it reviews compensation programs of companies in its peer group in order to be market competitive "while being fair and reasonable to shareholders." Because its executive compensation structure lacks details and specific reward targets, it's difficult to evaluate the alignment with shareholder interests.

From a capital allocation perspective, it's too early for us to assess management's skill. The company continues to generate losses, which is expected given the early-stage nature of the industry. However, we do think the company has made sound moves in establishing future optionality.

Management have made some good strategic decisions to develop its position in medical cannabis with the company now active in more than 20 countries.

First, Aurora established a science and innovation team composed of researchers and physicians to drive medical advancements. This team has partnered with universities to conduct 40 clinical studies to evaluate the therapeutic benefits of cannabis to treat pain, epilepsy, cancer, PTSD, and other diseases.

Second, Aurora has partnered with PharmaChoice, Pharmasave, and Shoppers Drug Mart to distribute, market, and sell through their pharmacies across Canada, which improves distribution to the medical cannabis market.

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Aurora has also developed a plan for achieving profitability with near-, medium-, and long-term objectives focused on optimizing cultivation by lowering costs through mass scale high-tech facilities. Aurora is also investing and leveraging R&D for high-margin products such as CBD infusions, vapes, and edibles in order to create optionality. However, with numerous competitors focused on the consumables market, it is far too early to tell if management has done enough to stand out from the crowd.

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Analyst Notes Archive

Aurora Shares Rally After Third Quarter Shows Slower Cash Burn, but Extreme Uncertainty Remains

Kristoffer Inton, Analyst, 14 May 2020

On May 14, Aurora reported fiscal third quarter results that showed continued top-line growth and progress on its restructuring plan that was announced just three months earlier. Cannabis net revenue excluding provisions was up 15% over the preceding quarter, particularly driven by strong growth in the Canadian recreational market from Aurora's value brand and Cannabis 2.0 products. Gross margin before plant fair value adjustments remained steady over the preceding quarter at a healthy 44%, which resulted in higher sales driving gross profit growth.

We were surprised to see how quickly Aurora has managed to drive down its overhead expenses. Excluding restructuring costs, SG&A fell \$25 million sequentially from the second quarter to \$75 million. Management has stated that the current run-rate overhead expenses are \$55 million per quarter, putting the company on track for its goal of \$40 million to \$45 million.

Most impressively, the company cut its cash burn by more than 40% to \$154 million. Given Aurora's reliance on its at-the-money equity program for financing, slower cash burn means less dilution for existing shareholders. Management is targeting positive adjusted EBITDA by first quarter of fiscal 2021. Although we think it'll take a few quarters longer than that, we acknowledge the company is making progress.

We've reduced our medium-term forecast but continue to believe Aurora will reach positive profitability. As such, we've lowered our fair value estimates to \$30 and CAD 42 per share, down from \$35 and CAD 49, respectively, for no-moat Aurora.

Year to date, the stock has plummeted more than 70%, far worse than its Canadian peers. Spending rationalization is likely taking hold faster than the market expected, as shares were up nearly 30%, as we write and including after-hours trading. Although we reduced our fair value estimate, we see shares as significantly undervalued, even in consideration of our extreme uncertainty rating.

Aurora Expands Into U.S. CBD Market With Reliva Acquisition, but Few Financial Details Available

Kristoffer Inton, Analyst, 21 May 2020

On May 20, Aurora Cannabis announced that it will acquire privately held Reliva, its first expansion into the U.S. CBD market. The deal is expected to close in June. Aurora will pay \$40 million in shares with another \$45 million possible in shares, cash, or a combination over the next two years dependent on Reliva reaching earn-out targets.

As Reliva is private, there are no financials available. Although Aurora management said that Reliva has generated positive EBITDA, it did not disclose the actual amount of EBITDA, or even sales. As such, we are unable to update our valuation for the deal, leaving fair value estimates of \$30 and CAD 42 per share for no-moat Aurora unchanged.

Reliva's products can be purchased online or in over 20,000 retail locations, including eight of the top 20 national convenience store chains. While it's potentially beneficial for Aurora since Reliva is already EBITDA-positive, the U.S. market is fraught with competition, as hemp-derived CBD is legal on the federal level. Although a brand may eventually emerge in U.S. CBD, we think it is unlikely that any will be strong enough in the next 10 years to command pricing power.

Although it's difficult to assess what Aurora actually bought, we do note that it represents another dilutive equity issuance for existing investors, given that it is using shares that we think were nearly 60% below intrinsic value based on the unaffected price. At the least, we think the acquisition is unlikely to significantly increase cash burn, given that Reliva has no debt and doesn't face major capital expenditures requirements, according to Aurora management.

Investors reacted positively, as shares surged roughly 20% as we write. If this increase holds upon market open, shares will enter 3-star territory. Even though Aurora would still be more than 45% below our fair value estimate, we require a very high margin of safety because of our extreme uncertainty rating.

Aurora Continues Transition With New CEO and Reduced SG&A but Takes Big Impairment Charge

Kristoffer Inton, Analyst, 08 September 2020

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On Sept. 8, Aurora announced the appointment of Miguel Martin as its CEO, replacing Michael Singer, who was interim CEO since February. The company also provided preliminary fourth quarter 2020 results ahead of its full-year fiscal 2020 earnings release scheduled for Sept. 22.

Miguel Martin has experience in highly regulated industries, including tobacco, electronic cigarettes, and CBD. He was previously Aurora's chief commercial officer since July 2020 and was the CEO of U.S. CBD company Reliva before it was acquired by Aurora. Our Standard stewardship rating is unchanged, as it's still far too early to judge capital allocation decisions in the early stage industry.

Aurora has been reducing SG&A expenses faster than we anticipated, guiding to \$60 million to \$65 million for the fourth quarter. Management is also guiding to \$66 million to \$68 million in cannabis net revenue for the quarter, which is lower than our previous forecast. These changes largely offset in our model, leading us to keep our USD fair value estimate of \$30 per share for no-moat Aurora. Our CAD fair value estimate falls to CAD 40 from CAD 42 due to a strengthening of the loonie versus the USD since our last update.

Aurora's stock dropped nearly 12%, primarily due to roughly CAD 1.8 billion of goodwill impairment charges it expects in the fourth quarter. While shares look undervalued, we reiterate our extreme uncertainty rating. Material financial risks combined with external industry risks, including the pace of rollouts and regulations, create a wide range of potential valuation outcomes. There is always uncertainty when investing in startups, but we consider Aurora among the riskier across the already risky cannabis industry. Furthermore, with no strategic investor, shareholders face a material risk of dilutive equity issuances to fund an ongoing cash burn. As of June 30, \$220 million remained available under its ATM facility, roughly 25% of Aurora's current market capitalization.

Aurora Cuts Costs but Increased Value Brand Volume Weighs on Revenue; Reiterate Extreme Uncertainty

Kristoffer Inton, Analyst, 22 September 2020

Aurora Cannabis' fourth-quarter results for fiscal 2020 were highlighted by lower production costs and continued SG&A expense reduction. However, total net revenue for

the quarter was CAD 72 million, down 5% from the prior quarter.

Total kilograms of dried consumer cannabis sold increased by 36% in the fourth quarter, but volume growth was offset by a 30% decrease in the average net selling price per gram of consumer cannabis. The price fell due to product mix shift as Aurora's lower-priced value segment brand accounted for over 60% of flower revenue compared with just 35% in the previous quarter.

Nevertheless, Aurora recorded very low cash costs to produce of only CAD 0.89 per gram of dried cannabis sold. Adjusted gross margin before fair value adjustments on cannabis net revenue was 50%, up from 43% in the third quarter. Aurora has reduced SG&A faster than we anticipated, recording roughly CAD 68 million in the quarter, down CAD 11.2 million from the prior quarter as a result of the company's Business Transformation Plan to lower costs.

We've reduced our near-term sales forecast, as more near-term volume growth will come from the value segment than we previously anticipated. As such, we lowered our fair value estimates to \$25 and CAD 33, from \$30 and CAD 40, respectively, for no-moat Aurora. Aurora's challenging financial situation and high dependence on capital markets without a strategic investor pushes its uncertainty rating to Extreme. As such, small changes in our forecast assumptions lead to dramatic changes in our fair value estimates.

Shares trade more than 70% below our fair value estimate, but we reiterate our Extreme uncertainty rating. In addition to the uncertainty surrounding the early-stage cannabis industry, Aurora's financial position warrants increased margin of safety. Nevertheless, we think the company has made tremendous progress reducing its cash burn. As the company grows revenue and manages costs, we think shares will rise.

Biden Win May Spur Momentum for Cannabis Industry; Companies with U.S. Exposure Better Positioned

Kristoffer Inton, Analyst, 19 October 2020

The upcoming U.S. presidential election could lead to important regulatory changes that would grow the budding cannabis industry. Democratic presidential candidate Joe Biden and vice-presidential candidate

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Kamala Harris have proposed decriminalizing cannabis. Although this would simply reduce incarceration for low-level possession crimes, it could signal easing of federal prohibition. However, we continue to think that a change to U.S. federal law, removing prohibition and allowing states to choose their own cannabis legality, won't come until at least 2023. Nevertheless, interim changes can reduce legal risk and ease access to banks and other ancillary services for the cannabis industry.

We think the U.S. market will prove to be the largest, and will offer rapid growth. We forecast nearly 25% average annual growth for the U.S. recreational market and nearly 15% for the medical market through 2030.

Presidential election aside, Arizona, Montana, and New Jersey are voting on recreational legalization, Mississippi is voting on medical, and South Dakota is voting on both. Successful votes open new legal markets, but don't significantly benefit cannabis companies since cannabis cannot be sold across state lines as it is federally illegal. Additional state legalizations create new markets, but require companies to apply for new cultivation and dispensary licenses in each state.

Favorable election results will be best for U.S.-based THC cannabis companies, such as Curaleaf and Green Thumb Industries, which currently trade in 4- and 3-star territory, respectively. 4 star Canopy Growth is the only Canadian company under our coverage with direct exposure through its deal to acquire U.S. based Acreage Holdings immediately upon change to federal law. We think Canopy paid a good price and acquired an attractive option for an accelerated entry into the U.S. cannabis market.

In Contrast to the Competitive Presidential Election, Cannabis Referendums Won Big on Election Day

Kristoffer Inton, Analyst, 04 November 2020

The day after election day, who will be the U.S.' president for the next four years remains to be determined as votes continue to be counted. In stark contrast to the fate of the country's highest office, cannabis won by a landslide in state referendums. Every ballot measure was approved, as Arizona, Montana, and New Jersey expanded legalization to recreational cannabis, Mississippi legalized medical cannabis, and South Dakota shockingly approved both medical and recreational cannabis in one day. Even Oregon's votes on legalizing psilocybin and decriminalizing all drugs were approved. We view the

success on all votes as evidence of still-growing acceptance for legalization among Americans. It also confirms our long-term view for nearly 25% average annual growth for the U.S. recreational market and nearly 15% for the medical market through 2030.

Amongst our coverage, 4-star Curaleaf, 3-star Green Thumb, and 4-star Canopy Growth immediately benefit from the election outcome. While Canopy only operates in Canada, its standing agreement to acquire U.S. multistate operator, Acreage Holdings, upon a change in federal law gives it economic exposure to yesterday's outcome. All three companies already operate in medical cannabis in New Jersey, while Curaleaf also operates in Arizona. When previous states have legalized recreational cannabis, existing medical cannabis operations were entrenched to benefit immediately.

Three-star Cronos, 3-star Tilray, and 5-star Aurora have some exposure to the U.S. but only through hemp-derived CBD. As a result, yesterday's outcome will have no direct impact. Despite its announcement the day after the election to acquire U.S. craft brewer Sweetwater, 5-star Aphria will also see no direct impact.

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Kristoffer Inton, Analyst, 10 November 2020

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Total cannabis net revenue was nearly CAD 68 million, beating management's guidance of CAD 60 million-64 million, but it was a 1% decrease from the prior quarter. Total kilograms of cannabis sold decreased 4% from the prior quarter, offset by more than a 3% increase in the average net selling price.

Volume weakness was driven by a 16% drop in dried cannabis. However, this appears to represent some mix shift, given a 31% increase in Aurora's Cannabis 2.0 product revenue and a 4% overall increase in medical cannabis net revenue. Medical revenue was driven largely

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by high-margin international medical sales, up 41% over the prior quarter. We forecast roughly 20% average annual growth for the global medical cannabis market through 2030.

Aurora has continued to reduce SG&A, recording roughly CAD 44 million, down CAD 14.5 million from the prior quarter.

We've updated our model with the latest results, but our forecast is largely intact. We've raised our fair value estimate due to time value of money effects to \$26/CAD 34 per share from \$25/CAD 33 for no-moat Aurora. We maintain our extreme uncertainty rating, given Aurora's high dependence on capital markets and lack of a strategic investor.

The shares trade roughly 57% below our fair value estimate, but we reiterate our extreme uncertainty rating. Aurora's financial position continues to warrant a very large margin of safety. Nevertheless, we think the company has made significant progress reducing its cash burn and will continue its path to profitability.

Aurora Cannabis Inc ACB ★★★^Q 10 Nov 2020 02:00 UTC

Last Close
09 Nov 2020
14.65

Fair Value^Q
10 Nov 2020 02:00 UTC
28.39

Market Cap
09 Nov 2020
2,353.6 Mil

Sector
Healthcare

Industry
Drug Manufacturers -
Specialty & Generic

Country of Domicile
CAN Canada

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

Company Profile

Aurora Cannabis, headquartered in Edmonton, Canada, cultivates and sells medicinal and recreational cannabis through a portfolio of brands that include Aurora, CanniMed, Daily Special, MedReleaf, and San Rafael '71. Although the company primarily operates in Canada, Aurora has expanded internationally through medical cannabis exporting agreements or cultivation facilities in more than 20 countries.

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	None	5	2	3
Valuation	Undervalued	100	100	99
Quantitative Uncertainty	Very High	50	56	81
Financial Health	Moderate	38	14	22

ACB



Undervalued Fairly Valued Overvalued

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.52	0.80	0.82	0.75
Price/Earnings	—	140.1	26.5	15.2
Forward P/E	-8.2	—	11.3	10.8
Price/Cash Flow	—	—	18.4	8.4
Price/Free Cash Flow	—	—	27.3	14.9
Trailing Dividend Yield %	—	—	1.50	3.71
Price/Book	1.1	10.9	3.4	1.7
Price/Sales	5.1	246.4	4.2	2.3

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	-100.5	-46.1	12.4	11.2
Return on Assets %	-79.3	-24.8	6.2	4.6
Revenue/Employee (K)	117.2	70.4	309.2	412.0

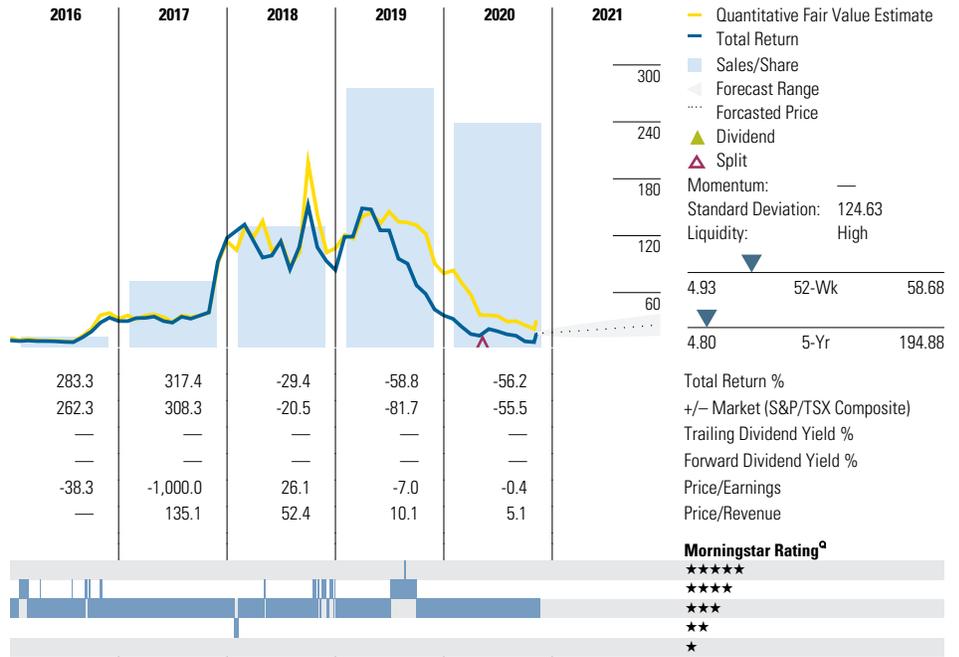
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.3	0.5	0.6	0.5
Solvency Score	608.0	—	494.6	560.6
Assets/Equity	1.3	2.0	1.4	1.2
Long-Term Debt/Equity	0.2	0.3	0.1	0.3

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	13.6	149.0	0.0	139.0
Operating Income %	—	—	—	—
Earnings %	—	—	—	—
Dividends %	—	—	—	—
Book Value %	-63.9	37.6	117.1	30.6
Stock Total Return %	-75.7	-32.9	13.4	29.8

Price vs. Quantitative Fair Value

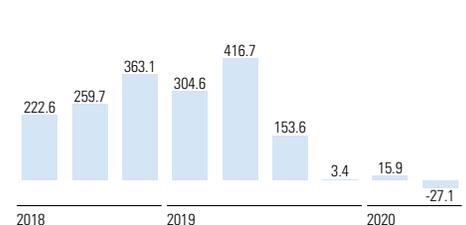


	2016	2017	2018	2019	2020	TTM	Financials (Fiscal Year in K)
Revenue	1,439	18,067	55,196	247,939	278,906	278,906	Revenue
% Change	—	1,155.3	205.5	349.2	12.5	0.0	% Change
Operating Income	-4,591	-9,641	-80,108	-297,027	-486,885	-486,885	Operating Income
% Change	—	—	—	—	—	—	% Change
Net Income	-5,724	-12,968	71,936	-290,837	-3,283,671	-3,283,671	Net Income
Operating Cash Flow	-6,771	-10,506	-81,667	-192,245	-337,952	-337,952	Operating Cash Flow
Capital Spending	-1,885	-25,718	-136,945	-414,298	-355,006	-355,006	Capital Spending
Free Cash Flow	-8,656	-36,224	-218,612	-606,543	-692,958	-692,958	Free Cash Flow
% Sales	-601.4	-200.5	-396.1	-244.6	-248.5	-248.5	% Sales
EPS	-0.48	-0.60	1.80	-3.48	-33.94	-33.94	EPS
% Change	—	—	—	-293.3	—	—	% Change
Free Cash Flow/Share	-0.69	-1.62	-4.17	-7.25	-8.26	-7.16	Free Cash Flow/Share
Dividends/Share	—	—	—	—	—	—	Dividends/Share
Book Value/Share	1.02	5.29	29.07	51.75	34.00	13.39	Book Value/Share
Shares Outstanding (K)	10,782	23,764	39,119	83,173	97,349	160,656	Shares Outstanding (K)
Return on Equity %	-116.9	-11.5	8.1	-9.8	-100.5	-100.5	Profitability
Return on Assets %	-35.9	-7.6	6.4	-7.9	-79.3	-79.3	Return on Assets %
Net Margin %	-397.7	-71.8	130.3	-117.3	-1,177.3	-1,177.3	Net Margin %
Asset Turnover	0.09	0.11	0.05	0.07	0.07	0.07	Asset Turnover
Financial Leverage	3.1	1.5	1.2	1.3	1.3	1.3	Financial Leverage
Gross Margin %	153.0	88.9	78.8	64.5	-12.0	-12.0	Gross Margin %
Operating Margin %	-319.0	-53.4	-145.1	-119.8	-174.6	-174.6	Operating Margin %
Long-Term Debt	4,439	63,536	200,760	395,158	378,629	378,629	Long-Term Debt
Total Equity	5,962	218,933	1,558,569	4,385,637	2,150,806	2,150,806	Total Equity
Fixed Asset Turns	0.1	0.6	0.4	0.5	0.3	0.3	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Sep	Dec	Mar	Jun	Total
2020	75.2	56.0	75.5	72.1	278.9
2019	29.7	54.2	65.1	98.9	247.9
2018	8.2	11.7	16.1	19.1	55.2
2017	3.1	3.9	5.2	5.9	18.1
Earnings Per Share (I)					
2020	0.12	-14.16	-1.37	-18.61	-33.94
2019	1.44	-3.00	-1.92	0.24	-3.48
2018	0.12	0.24	-0.48	2.04	1.80
2017	-0.36	-0.12	0.01	-0.24	-0.60

Revenue Growth Year On Year %



Research Methodology for Valuing Companies

Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade

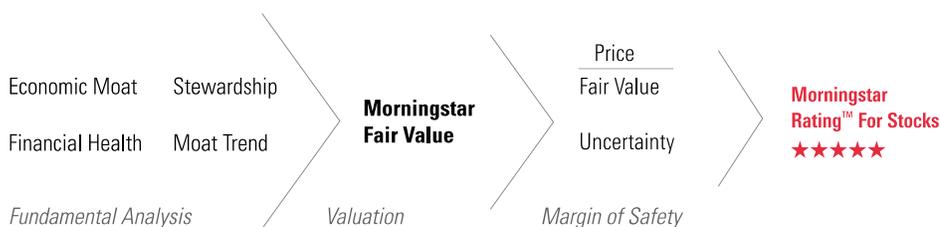
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Morningstar Research Methodology for Valuing Companies



Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

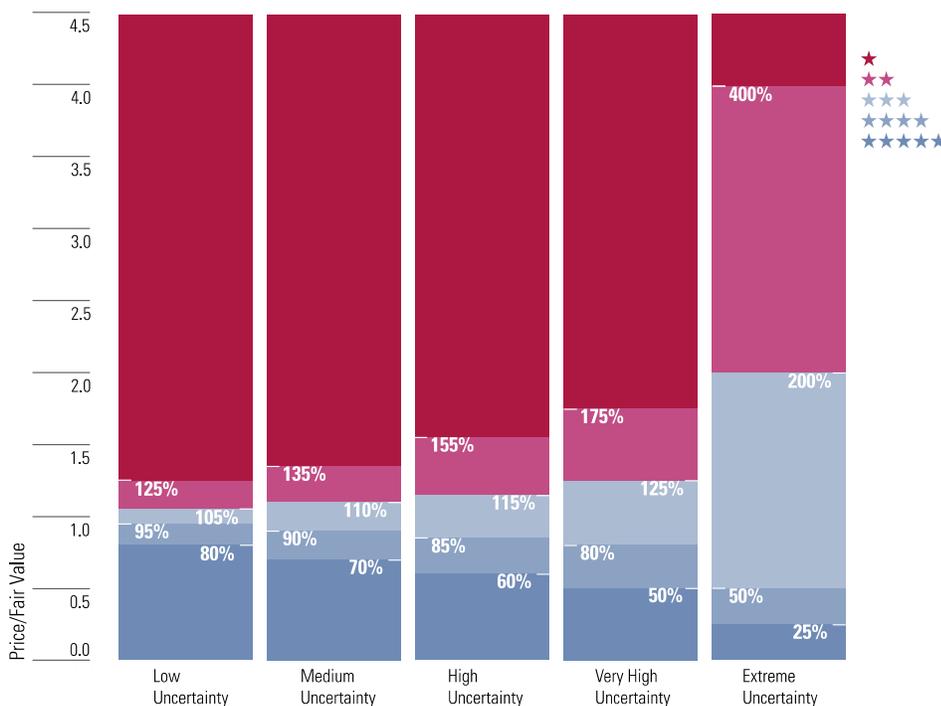
- ▶ Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ▶ Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ▶ High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ▶ Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ▶ Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

- ★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.
- ★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.
- ★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).
- ★★ We believe investors are likely to receive a less than fair risk-adjusted return.
- ★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ▶ Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ▶ Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the

quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:

- (i) Quantitative Fair Value Estimate
 - (ii) Quantitative Star Rating
 - (iii) Quantitative Uncertainty
 - (iv) Quantitative Economic Moat
 - (v) Quantitative Financial Health
- (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

Quantitative Fair Value Estimate: Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to <https://shareholders.morningstar.com> for information about fair value estimates Morningstar's equity analysts assign to companies.

Quantitative Economic Moat: Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- ▶ Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- ▶ Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- ▶ None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

Quantitative Star Rating: Intended to be the summary rating based on the combination of our Quantitative Fair

Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.

Log (Quant FVE/Price) < -1 * Quantitative Uncertainty

★★: the stock is somewhat overvalued.

Log (Quant FVE/Price) between (-1 * Quantitative Uncertainty, -0.5 * Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.

Log (Quant FVE/Price) between (-0.5 * Quantitative Uncertainty, 0.5 * Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.

Log (Quant FVE/Price) between (0.5 * Quantitative Uncertainty, 1 * Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) > 1 * Quantitative Uncertainty

Quantitative Uncertainty: Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- ▶ Low: the interquartile range for possible fair values is less than 10%.
- ▶ Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- ▶ High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- ▶ Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- ▶ Extreme: the interquartile range for possible fair values is greater than 80%.

Quantitative Financial Health: Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- ▶ Weak: assigned when Quantitative Financial Health < 0.2
- ▶ Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- ▶ Strong: assigned when Quantitative Financial Health > 0.7

Research Methodology for Valuing Companies

Other Definitions

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- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

Risk Warning

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The quantitative equity ratings are not statements of fact. Morningstar does not guarantee the completeness or accuracy of the assumptions or models used in determining the quantitative equity ratings. In addition, there is the risk that the price target will not be met due to such things as unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, and tax rate. For investments in foreign markets there are further risks, generally based on exchange rate changes or changes in political and social conditions.

A change in the fundamental factors underlying the quantitative equity ratings can mean that the valuation is subsequently no longer accurate.

For more information about Morningstar's quantitative methodology, please visit <http://global.morningstar.com/equitydisclosures>.

Aurora Cannabis Inc ACB (XTSE)

Morningstar Rating ★★★★★ 10 Nov 2020 18:10, UTC	Last Price 11.01 CAD 10 Nov 2020	Fair Value Estimate 34.00 CAD 10 Nov 2020 18:05, UTC	Price/Fair Value 0.32	Trailing Dividend Yield % — 10 Nov 2020	Forward Dividend Yield % 0.00 10 Nov 2020	Market Cap (Bil) 2.35 10 Nov 2020	Industry Drug Manufacturers - Specialty & Generic	Stewardship Standard
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The analysis within this report is prepared by the person (s) noted in their capacity as an analyst for Morningstar's equity research group. The equity research group consists of various Morningstar, Inc. subsidiaries ("Equity Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission.

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The Equity Research Group believes its analysts make a reasonable effort to carefully research information contained in the analysis. The information on which the analysis is based has been obtained from sources believed to be reliable such as, for example, the company's financial statements filed with a regulator, company website, Bloomberg and any other the relevant press sources. Only the information obtained from such sources is made available to the issuer who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this sharing of information result in considerable changes, a statement of that fact will be noted within the report. While the Equity Research Group has obtained data, statistics and information from sources it believes to be reliable, neither the Equity Research Group nor Morningstar, Inc. performs an audit or seeks independent verification of any of the data, statistics, and information it receives.

General Quantitative Disclosure

The Quantitative Equity Report ("Report") is derived from data, statistics and information within Morningstar, Inc.'s database as of the date of the Report and is subject to change without notice. The Report is for informational purposes only, intended for financial professionals and/or sophisticated investors ("Users") and should not be the sole piece of information used by such Users or their clients in making an investment decision. The quantitative equity ratings noted the Report are provided in good faith, are as of the date of



the Report and are subject to change. While Morningstar has obtained data, statistics and information from sources it believes to be reliable, Morningstar does not perform an audit or seeks independent verification of any of the data, statistics, and information it receives.

The quantitative equity ratings are not a market call, and do not replace the User or User's clients from conducting their own due-diligence on the security. The quantitative equity rating is not a suitability assessment; such assessments take into account may factors including a person's investment objective, personal and financial situation, and risk tolerance all of which are factors the quantitative equity rating statistical model does not and did not consider.

Prices noted with the Report are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

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Aurora Cannabis Inc ACB (XTSE)

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★★★★	11.01 CAD	34.00 CAD	0.32	—	0.00	2.35	Drug Manufacturers - Specialty & Generic	Standard
10 Nov 2020 18:10, UTC	10 Nov 2020	10 Nov 2020 18:05, UTC		10 Nov 2020	10 Nov 2020	10 Nov 2020		

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