



Is Aurora Cannabis Inc. (TSX:ACB) a Steal at \$6?

Description

The once high flying **Aurora Cannabis Inc.** ([TSX:ACB](#)) stock has lost about half of its value so far this year, and while that's a very bearish sign, it could also make the stock a great bargain. As of the end of Tuesday, the stock price was still above \$6 a share, but it looks poised to fall below that.

The last time the stock was that low was back in November, before it took off on news that it was in talks to [acquire CanniMed Therapeutics Inc.](#) Aurora has been involved in some big deals since then, which have diluted shareholders, but a sell-off this extreme may be excessive.

To help gauge this decline, I looked at the **Relative Strength Index (RSI)**, which currently shows Aurora's stock as being oversold at an RSI level of only 24. The RSI, which typically looks at selling versus buying patterns over the past 14 days, alerts investors that a stock is oversold once it falls below a value of 30, and that the stock has seen a lot of selling and could be due for a reversal.

Aurora has been in and around oversold territory for multiple weeks now, and the stock could finally be approaching a bottom.

Valuation starting to come down

With the steep decline in price, Aurora's trading around 2.5 times its book value, which could be a big bargain for one of Canada's top marijuana companies. While its price-to-sales ratio still remains well above 100, that will change as we start to see the impact of legalization, as well as from its acquisitions, which so far have weighed the stock down.

Has the company made too many acquisitions?

Despite the company's optimistic view of the acquisitions it has made over the past year, investors have simply not reacted favourably to the news, and could likely be fatigued from all the wheeling and dealing in the industry. The value of a company is hard to assess in the industry, as many cannabis companies are unprofitable and banking on the same hope and expectations that others are — that demand in the industry will be massive.

This could also be a big reason why marijuana stocks as a whole have not been very strong this year. Even rival **Canopy Growth Corp.**, which has stayed out of the spotlight for much of the year, although [listing on the NYSE](#) was no small event, has declined 5% since the start of 2018.

Cannabis stocks have been performing poorly this year. Once legalization takes place and we see the industry get injected with a lot more optimism, we could see some of these trends turn around.

Bottom line

Aurora's stock has been sinking this year, and while it isn't without risk, it could be a great buy at this price. The stock has a lot of potential upside, but it may not be realized until we see an earnings report post-legalization to see what sales look like in the first quarter of pot being legal for recreational use. If the results are strong, then we could see the stock soar in no time.

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Author

djagielski

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