

## Is Aurora Cannabis Inc. (TSX:ACB) Still Undervalued Right Now?

### Description

**Aurora Cannabis** ([TSX:ACB](#)) stock dropped 3.02% on September 5. Aurora boasted the most volume on the TSX along with its peers **Canopy Growth** and **Aphria**. Cannabis stocks have been a bright spot on the TSX over the past week as the index has suffered from volatility amid [intense trade negotiations](#) between the United States and Canada.

Shares of Aurora have still climbed 34% over the past month. Still, for some onlookers Aurora's performance may seem muted considering its production capacity and overall size. Dilution has been a factor, as Aurora made two massive acquisitions in 2018 in a bid to secure and increase its market share. The aggressive tactics appear to have paid off in the short term going by its fiscal 2018 third-quarter earnings release.

Grams sold surged 107.2% year over year to 1.35 million, while revenues climbed 211.1% to \$16.1 million. This, of course, is still dwarfed by its market share, which is now over \$8 billion. Aurora is expected to release its fiscal 2018 fourth-quarter results in late September. This will be a key measuring stick for investors as recreational legalization looms. Is Aurora still a solid buy before its earnings release?

On September 4, Aurora announced that it had closed its \$200 million debt facility with **Bank of Montreal**. The facility also includes an option to increase the total to \$250 million following the October 17, 2018, legalization date. This will give Aurora added flexibility as the legalization rollout is bound to ramp up demand in the coming months.

Some of Aurora's acquisition targets have also begun to bear fruit for the company as the summer winds to a close. On August 22, Aurora announced that it had received Health Canada authorization to produce cannabis softgel capsules at its Aurora Vie facility in Pointe-Claire, Quebec. Production has already begun in partnership with Montreal-based manufacturer **Capcium Inc.**, which specializes in high-volume softgel encapsulation.

Perhaps the most exciting acquisition in the near term is Aurora's stake in **Alcanna** (TSX:CLIQ), an Edmonton-based alcohol and soon-to-be cannabis retailer. Alcanna has rights to open cannabis stores under the brand name Aurora Cannabis across Canada. As the largest private sector liquor retailer in Canada, Alcanna has a vast footprint that is highly desirable.

The move by the new Ontario government to [privatize cannabis retail](#) could present a huge opportunity for Aurora and Alcanna. Reports indicated that Alcanna immediately began probing the new PC government after its election. Although the province has yet to release a structure for wholesale cannabis retail, investors should be confident that Alcanna will be aggressive in its pursuit of a footprint in Canada's most populous province.

As of close on September 5, Aurora stock is priced at \$8.68, nearly half of the value it reached at its all-time high back in late January. Some of its smaller acquisitions are starting to pay off while its larger splashes should see returns when surging demand begins to put the squeeze on lesser players in the

industry. Aurora appears well prepared for the rollout, and the stock remains a nice speculative buy today.

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