Aurora Cannabis Inc. (TSX:ACB): Should You Buy the Post-Earnings Dip?

Description

Aurora Cannabis (TSX:ACB) stock fell 4.18% on September 27. The company released its fourth-quarter and full-year results for fiscal 2018 on September 24. Last week, I'd discussed the hype surrounding the company and whether the stock was primed for a fall run.

Aurora achieved 19% quarter-over-quarter revenue growth to $19.1 million. This represented a 223% increase from Q4 2017. Active registered patients soared 164% year over year to 43,308, while the average net selling price of dried cannabis rose 18% to $8.02. Cash costs of sales per gram and cash costs to produce per gram both fell 11% from the prior year.

This is all encouraging as we enter October. Recreational legalization will officially kick off on October 17. In Ontario, the most populous province in Canada, legal sales will only be able to be made online through the Ontario Cannabis Store (OSC) until wholesalers catch up in the spring of 2019. The Ontario government has produced a framework that it will attempt to push through in the coming months.

Aurora also announced plans to list its securities on a U.S. stock exchange. A trading date will be announced later after all regulatory requirements are completed. There was considerable excitement in the spring when **Canopy Growth** (TSX:WEED)(NYSE:CGC) had pursued the same strategy.

Shares received a considerable boost after the official listing on May 24 and were eventually propelled back to an all-time high above $40 in mid-June. Of course, Canopy has managed to surge far beyond this point in the months following. Aurora will hope to capitalize off the same surge in volume and interest that comes with a U.S. listing.

The company also provided an update on its facilities and production. Aurora has forecast that by the end of the 2018 calendar year, it will boast a production run rate over 150,000 kg per annum. It also expects this to scale up to over 500,000 kg per annum. Aurora anticipates that its Aurora Sky facility will reach full 100,000 kg per annum production by the end of the year.

The fourth quarter concludes what has been a momentous year for Aurora. This included the two largest acquisitions in the history of the Canadian industry with the addition of CanniMed Therapeutics and MedReleaf Corp. The acquisition of CanniMed is paying off early. On July 3, CanniMed received Health Canada approval to commence sales of CanniMed capsules.

Of course, there is also the rumoured deal that is brewing between Aurora and **Coca-Cola**. The rumoured deal will involve a partnership to develop CBD-infused beverages that would aim to ease inflammation, pain, and cramping. Coca-Cola leadership was adamant in its interest in CBD as an ingredient in functional wellness beverages, rather than a broader interest in an industry that is still illegal on the federal level in the United States.

The pre-legalization scramble is about to come to an end. This is an exciting and scary time for investors and the industry at large, as companies will enter a “show-me” phase. Aurora has worked feverishly to carve out a substantial share of domestic production and will be a power player going forward. The stock is an enticing speculative buy as we move into October.

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Author
aocallaghan