



Aurora Cannabis Inc (TSX:ACB) Posts “Sky-High” 223% Revenue Growth for Q4!

Description

Cannabis stocks may be down from their September highs, but as far as revenue goes, the weed train keeps on chugging.

The latest news?

Aurora Cannabis ([TSX:ACB](#)) recently posted scorching-hot 223% year-over-year revenue growth. In the earnings call, which was released on September 24, the company also reported a slew of other positive financial metrics. This is positive news not only for Aurora but for the cannabis industry as a whole; the massive earnings jump may indicate the new recreational pot supply contracts are having a positive effect.

Big year-over-year revenue growth is quite normal for cannabis companies. However, Aurora’s 223% blowout is a little above average, even for this red-hot sector. What explains the big gains in Q4?

Sources of growth

Surprisingly, Aurora’s big Q4 gains seem to have come mostly from medical sales: its active registered patients figure was up 164% from the same period in 2017. I call this fact surprising because most commentary on the pot sector to date has focused on upcoming legalization as a potential boon to cannabis companies. It looks like, at least for Aurora, medical sales are still powering the lion’s share of the growth.

That said, the earnings report hinted at recreational supply contracts contributing to Aurora’s stellar Q4 results. The “management commentary” section noted, “With coast-to-coast supply arrangements, and our strategic investment in Alcanna, we are very well positioned to capitalize on the significant adult consumer use opportunity in Canada.”

The phrase “consumer use” is slightly ambiguous, but it appears to be referring to recreational cannabis sales.

Earnings now positive!

Another big bombshell from Aurora's Q4 report is its now positive net income. After years of losing money to fuel future growth, Aurora [posted positive earnings](#) of \$79.3 million (compared to a \$20 million loss in the same quarter a year ago). This bodes well for the company, which has faced scrutiny for negative earnings in the past. It should be noted that the increase mainly came from (unrealized) gains on derivatives and marketable securities. However, a massive increase in gross profit shows that the company is improving its operating results as well.

Bottom line

It's clear that Q4 was a game changer for Aurora. Unprecedented revenue growth, positive earnings, and 164% growth medical cannabis customers are all fantastic news for the company. These developments speak to a company that's gradually maturing and becoming a "blue-chip" player in the cannabis space.

The big question is what effect legalization will have on the company later this month. While most market commentators expect that legalization will help cannabis companies like Aurora, some worry it will [drive prices and margins down](#) (as happened in Colorado). Only time will tell how Canada's recreational cannabis market will play out. But for now, Aurora is one of Canada's best cannabis stocks for growth-focused investors.

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