Should Aurora Cannabis (TSX:ACB) Stock Be on Your 2019 Buy List?

Description

The pullback in the price of marijuana stocks has existing investors wondering if this is the right time to add to their pot stock positions. New investors who missed the wild ride over the past couple of years are trying to decide whether they finally have a chance to get in at a reasonable price.

Let's take a look at **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) to see if this marijuana stock is a buy for your 2019 portfolio.

Design leader

Aurora Cannabis is a major player in the Canadian medical marijuana market and is expanding its reach worldwide.

The company enjoys a leadership position in building innovative cannabis production facilities. Its Aurora Mountain facility was the first indoor cannabis site built from scratch. While it remains one of the most efficient operations in the industry, Aurora is using the lessons it learned to integrate technology into its newest developments.

Aurora Sky, which is being built near Edmonton International Airport, will be 800,000 square feet with annual cultivation capacity of more than 100,000 kilometres.

Aurora also has two facilities in Quebec and is building a one million square foot facility in Denmark through a joint-venture partnership.

Markets

Canada gets most of the media attention, but other opportunities worldwide are also attractive. Aurora has a 100% ownership stake in Germany's largest distributor of medical cannabis. The company also just received approval to ship medical cannabis to Poland.

Aurora Cannabis is working through its acquisition of Uruguay-based ICC Labs. The deal gives Aurora Cannabis an established base in South America with exiting production and distribution channels. ICC also has licences for the production of medical cannabis in Colombia.

In total, Aurora Cannabis has 15 wholly-owned subsidiaries.

Financials

Aurora Cannabis reported fiscal Q4 2018 revenue of $19 million, compared to $6 million in the same period last year. Major acquisitions during 2018 helped boost the company's portfolio of registered medical marijuana patients.

The stock is down from $15 per share in October to about $9. This still gives the company a market capitalization of $8.5 billion, which is pretty high for a business with annualized sales of less than $100 million.

Opportunities

Aurora Cannabis hasn't announced any major deals with tobacco or beverage companies. Rumours emerged that Aurora Cannabis was in talks with **Coca-Cola**, but the beverage giant recently said it has no plans to produce cannabis-infused drinks. Aurora could partner with another global drinks company to compete with **Canopy Growth**, which is 38% owned by **Constellation Brands**.

Another option would be to acquire a competitor that already has a beverage partner. In that case, **HEXO** would be an obvious target. The Quebec-based company has a joint-venture with **Molson Coors Canada** and would be a manageable takeover target. HEXO has a market capitalization of about $1.2 billion.

Should you buy?

Aurora Cannabis has a track record of making big acquisitions, so it should end up as one of the major players as the global medical marijuana market grows. The stock still looks expensive, but is more attractive today than it was a few weeks ago.

Given the ongoing volatility in the market and the shaky start to the start of recreational marijuana sales in Canada, I wouldn't back up the truck yet. However, if you are positive on the long-term opportunities for the industry, Aurora Cannabis might be an interesting pick on further weakness if you want to start a position for your pot portfolio heading into 2019.

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