Act Quickly and Buy Aurora Cannabis Inc. (TSX:ACB) Stock in November

Description

Investors are nearly three weeks removed from recreational cannabis legalization, and the roll-out has been rocky. This was anticipated by analysts and industry experts alike, and a global sell-off in October only exacerbated a tenuous situation for the cannabis sector.

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Aurora Cannabis (TSX:ACB)(NYSE:ACB) stock has plunged 25.3% month over month as of close on November 5. The October dip pushed Aurora back into negative territory for 2018. Aurora is based in Alberta, which opted for private cannabis retail. Like other provinces, Alberta has struggled mightily with soaring demand.

Alberta Liquor, Gaming, and Cannabis (ALGC) spokesperson Kaleigh Miller has said that licensed producers are to blame for early supply issues. “We continue to get shipments, but it’s not at the agreed upon levels,” Miller said. “From day one, they’ve been low on shipping.” The ALGC has responded by reaching out to licensed producers across the country.

Supply issues will frustrate consumers in the opening months, but the level of demand experienced early on is promising. Aurora has moved quickly to secure ownership in Alberta’s lucrative retail network. Earlier this year, it acquired a 19.9% stake in **Alcanna**, an Edmonton-based retailer of adult beverages and cannabis. In the first five days of legalization, Alcanna reported that had sold 68,000 individuals SKUs. Alcanna-owned NOVA Cannabis stores recorded over $1.3 million in sales over this period.

On November 5, Aurora announced that it had secured the right to increase ownership to 40% of **Choom Holdings** at $2.75 per share. Choom has secured the rights to 45 retail opportunities across Western Canada, which includes 27 development permits and 18 building permits received from municipalities. The investment from Aurora will serve to broaden this expansion going forward and deepen Aurora’s retail footprint across Western Canada.

All eyes are going to be on production in the coming months. Aurora made aggressive acquisitions in 2018 to position itself as a top global producer, and the company continues to make moves to enhance its capacity. The company recently announced the opening of Aurora “Eau” in Quebec, a 48,000-

square-foot facility in Quebec that will produce up to 4,500 kilograms of high-quality cannabis per year. It also boasts some of the lowest electricity costs in the country.

As of September 2018, the annualized run rate of Aurora's in-service production rooms is 45,000 kilograms. Aurora management forecasts that at the end of the 2018 calendar year, the company will have a production run rate in excess of 150,000 kilograms. Management projects this to scale up to 500,000 kilograms per annum at full capacity.

Aurora stock sits at $9.56 as of close on November 5. Shares have dipped 0.4% in 2018 and sit at a good price in early November. The supply imbalance is expected to swing the other way in 2019, as production at major LPs ramps up by the middle of 2019. Aurora is an attractive speculative buy in early November as the sector wrestles with price volatility.

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