

Will Aurora Cannabis Inc. (TSX:ACB) Stock Climb Back to All-Time Highs Next Year?

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) stock was down 15.1% in 2018 as of close on December 12. Shares shot up to an all-time high in the days before the official recreational legalization date, but since then volatility has hit the cannabis sector hard.

A global stock market sell-off has been poor timing for the fledgling sector, which is still finding its feet in Canada. The other factor that has been impacting investor sentiment is the [supply mini-crisis](#), which made its impact felt only days after legalization. This is something industry experts and insiders had been predicting since last year, but the scale of demand still caught many retailers and producers off guard.

In its fiscal 2019 first-quarter report, Aurora projected that it would be able to scale up production to 150,000 kilograms per annum by the end of this calendar year. The company has ambitions to scale up production to as much as 500,000 kilograms per annum by the time all grow rooms are in operation. This places Aurora firmly among the heavyweights as far as licensed producers (LPs) are concerned.

The largest LPs have made aggressive forays into international markets even before legalization in Canada. Aurora established a pan-European company called Aurora Europe GmbH in August, which has ramped up hiring in its German, Italian, and Danish locations. In Q1 fiscal 2019, Aurora completed its first export of cannabis oil products to Australia, which were supplied through its partner Cann Group. Aurora extended its reach to 21 countries in late November when it announced it would also ship cannabis to the Czech Republic.

In December, Aurora announced that it had signed a deal to acquire Mexican company Farmacias Magistrales. Aurora said that the company has a reach of approximately 80,000 retail points and 500 pharmacies and hospitals across Mexico. The deal comes on the heels of a [controversy](#) swirling around another LP, **Aphria**, which made key acquisitions in Latin America and Jamaica that were worth over \$200 million. A U.S.-based short-seller released a scathing report, which alleged that Aphria had overpaid for highly questionable assets.

The Farmacias Magistrales deal will extend Aurora's global distribution network, but at the cost of further shareholder dilution. The cloud over Aphria's acquisitions has likely resulted in more skepticism over international acquisitions that LPs have pursued, which explains the lack of attractive price action following Aurora's news release. This skepticism is healthy, especially in a young industry.

Aurora's domestic operations also hold great promise in 2019. In addition to its huge production scale up, Aurora has also moved to strengthen its hold on retail operations across Canada. This is especially true in its home province of Alberta, which opted for private control of the cannabis retail network. Aurora owns a 25% stake in **Alcanna**, an Edmonton-based retailer, which has reported impressive sales in the opening weeks of the cannabis roll out. Alberta has temporarily paused giving out licences

as private retailers try to catch up to surging demand.

Can Aurora get back to all-time highs?

Glancing at its technicals, Aurora last had an RSI of 49, as it has been able to climb out of oversold territory from early December. Aurora and other major LPs are heading into a crucial year that will give investors and consumers a better look at how this new industry will take shape. The company's monster production capacity and aggressive international expansion should give it a leg up. It is well positioned to meet expectations in 2019, and the stock is a speculative buy in this choppy market.

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aocallaghan

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