



## Aurora Cannabis Inc's (TSX:ACB) Earnings Miss Could Be a Sign of Bigger Problems Ahead

### Description

In about a month, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) is expected to release its quarterly results. Revenues are going to get a big boost from recreational sales, but it might not be enough to keep investors happy. The company announced this week that it expects to record between \$50 million to \$55 million in sales for the upcoming quarter. And while that's a big improvement from the \$12 million in sales that it brought in a year ago, it's well short of expectations.

Analysts were forecasting as much as \$67 million in sales for Q2. Depending on where Aurora's final tally falls, it could be a miss of anywhere between 18% to 25%. That's a significant miss for Wall Street, where companies can see their stocks punished by missing earnings by the narrowest of margins. A few months ago, rival **Canopy** recorded an even bigger [sales miss](#) in its quarterly results, which sent the struggling stock down even further.

The good news, if you can call it that, is that Aurora's stock was only down 4% on the news of its forecast for Q2. I say that's good news only because another big earnings miss by a marijuana company could have sent investors into a panic. However, we'll have to see in the coming days if there is more fallout from this, as it could be the start of a bigger sell-off.

### Why does this matter?

The reason this is such a big deal is that pot stocks have long been soaring solely based on promises of future growth and the expectations that once the recreational market is legalized, sales will be unstoppable. Now, with the two biggest, most popular pot stocks in the country missing expectations significantly, investors are definitely going to be on high alert. Analysts may need to consider whether their estimates are too high for the industry.

And if estimates are too high, that means stock prices are as well, and we could see more corrections around the corner. It's perhaps also a symptom of these stocks being listed on the big U.S. markets now and facing a lot more pressure and scrutiny from analysts.

The best case for the industry could be that these were one-off misses, and we'll see the companies rebound in the following quarter. Worst case, however, is that these are warning signs that pot sales aren't going to be as strong as expected, and that investors could be in for a rude awakening. While some people may scoff at this, saying that [pot shops aren't even open in Ontario](#) and once edibles become legalized that sales will be fine, the analysts forecasting these results would have likely accounted for these items.

## Bottom line

Aurora's stock has declined by nearly 50% in the past three months, and this latest news could send it down even further. It's further proof of how risky pot stocks are and why rising sales alone are not going to be enough to send them back up in price.

### CATEGORY

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