



## Should You Buy Aurora Cannabis Inc (TSX:ACB) Ahead of Earnings?

### Description

**Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) is set to release its quarterly earnings next week. And with pot stocks off to a strong start in 2019, many investors may be wondering if it's a good time to buy before then. Let's take a look and see why the stock might be up or down on earnings day.

### Company issues warning of revenue miss

In January, Aurora had [warned](#) investors that its Q2 sales would be short of expectations by anywhere from 18% to 25%. The good news for investors looking to buy the stock before earnings is that those adjusted estimates are now priced into the stock. Since it's a forgone conclusion that Aurora's top line will fall well below initial estimates, the new benchmark is the \$50-55 million that the company now says it will reach.

Overall, I see a lot more risk than opportunity when assessing whether the company will meet its revised expectations. If it falls short of the low end of its estimate, that will hurt the confidence investors have in the company — especially with the January revision being made for a quarter that ends in December. The company should have a very tight idea of where sales will land, so even a \$5 million range seems high. If Aurora comes in slightly above its estimates, I wouldn't expect to see much excitement from investors given those are adjusted estimates.

### Earnings will be the key

Whether or not Aurora does well on earnings day will likely come down to its bottom line. One concerning trend we've normally seen with cannabis companies is that their expenses continue to soar and usually outpace revenue growth. Increased costs as a result of the recreational market coming online and acquisitions have been the key cost drivers for pot stocks, and that's why I'd expect Aurora to see significant cost increases this coming quarter. Back in [Q1](#), the company saw expenses soar, and that was before the recreational market had opened for business.

Although the company only issued a warning on sales and not its bottom line, I believe that's because

it knows that the revenue figure is the one investors will be looking out for. Without a better-than-expected bottom line, I wouldn't expect earnings day to be particularly strong for Aurora.

## Bottom line

From a high-level view, there's definitely a lot more downside risk than there is opportunity for the stock to jump on earnings day. For a stock that's already up over 50% to start the year, it's going to need to have a good quarter to continue on that strong trajectory. And based on what we know thus far, I wouldn't expect for Aurora to have an impressive quarter.

The one wildcard is always that there's a big announcement on earnings day, as companies typically like to save big developments for that day. However, for an outsider, that's impossible to know.

Overall, if you've made a good return on Aurora's stock already this year, it might be a good idea to consider selling the stock before its next earnings release.

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