



Aurora Cannabis Inc. (TSX:ACB) Q2 Shows Big Growth in Pot Sales

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ABC) released its second-quarter results for fiscal 2019 on Monday, which saw a big jump in revenue. The pot producer benefited from higher cannabis sales following Canada's legalization of recreational cannabis in October.

Big revenue, big loss

Aurora reported revenue of \$54.2 million for the second quarter ended December 31, 2018. This is more than four times the revenue of \$11.7 million it earned in the same quarter a year ago. Analysts were expecting a lower revenue of \$51.84 million. Marijuana sales rose to 6,999 kg from 1,162 kg.

Aurora sold about 20% of Canada's recreational marijuana in the quarter, with sales of \$21.6 million. This quarter is the first to include sales of recreational cannabis after it has been legalized in Canada on October 17.

On a less happy note, Aurora incurred a loss of \$237.8 million, reflecting a sharp decline in Aurora's investments in other pot companies. Analysts were expecting a much smaller loss of \$62.05 million. However, this appears to be a temporary situation, as the company promises gains in coming quarters.

Earnings are expected to grow to \$0.07 per share in 2019 and to \$0.12 per share in 2020. Sales are expected to reach \$338 million in 2019; in 2020, they are estimated to grow to \$839 million.

Growth through international expansion and strategic partnerships

The Edmonton-based company is one of the world's largest cannabis producers, with a funded capacity of more than 500,000 kilograms a year and operations in 22 countries across five continents. Aurora has 15 wholly owned subsidiary companies, including MedReleaf and CanniMed Therapeutics.

The cannabis producer continues to grow its international footprint. A few hours before releasing its quarterly results, Aurora announced that it has completed its first commercial export of medical cannabis oil to the United Kingdom from a certified pharmacy.

Aurora is one of the first Canadian companies to commercially supply cannabis-based medicines into the U.K. under the new legal framework that came into effect on November 1, 2018.

“Our brands continue to resonate extremely well in the consumer market, our patient numbers continue to increase steadily, and we have maintained our market leadership in Germany and other key international markets,” said Aurora’s CEO Terry Booth in a statement.

To facilitate its growth, the company has invested in and established strategic partnerships with a range of leading innovators, including **Radiant Technologies** and **Hempco Food and Fiber**.

Aurora’s most recent acquisition, Whistler Medical Marijuana, is expected to provide it with a suite of premium and organic certified products.

Uncertainties and volatility in the stock

While Aurora’s stock is up nearly 50% year-to-date, trading a few cents below \$10, the price is still far from the all-time high of \$16.24 it reached on October 16, the day before legalization. The stock P/E is becoming more reasonable – the trailing P/E is 38.3 versus a five-year average of 150.3 – and I see this as an opportunity to buy the stock.

While there is strong [upside potential](#) for Aurora’s stock, be ready to tolerate a great deal of volatility. Cannabis sales have been legal in Canada only since October, and supply chain difficulties have emerged. But once these issues are resolved, we could see significant top-line growth, as recreational sales are likely below market demand.

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