



Aurora Cannabis Inc. (TSX:ACB): Quarterly Results Show Surging Revenue Growth With Many Opportunities and Challenges in the Background

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) reported another quarter of surging sales growth, with sequential revenue growth topping 80%, and year-over-year revenue growth coming in at an impressive 363%.

Capturing approximately 20% [market share](#) in the consumer market, Aurora is benefitting from its first-mover advantage in many geographies and product segments.

Growing production to meet booming demand

The company sold primarily to its provincial partners and has ramped up production significantly to meet the booming demand.

Production should reach 150,000 kg by the end of the month compared to current production of 120,000 kg. That's a 25% increase.

Rising costs

There are some challenges that are rearing their heads, and although management is saying that these are temporary, we should monitor the situation.

The cost per gram rose \$0.47 from last quarter to \$1.92 per gram. This was due to temporary inefficiencies, as production is ramping up, as well as increased labour costs and increased investment costs in preparation of legalization.

Going forward, general and administrative costs should be expected to rise as the company's expansion and growth continues.

Increasing research and development costs can be expected, as the company continues its scientific

research into the medical benefits of cannabis through clinical trials and medical case studies as well as its investment in advocacy and education.

Aurora Cannabis's focus remains on the medical market, and management is working hard at increasing its credibility as a supplier to the medical industry.

As a reflection of its success, we have seen a 10% increase in its patient base in Canada to nearly 73,000 patients, and the company is directing a significant supply of product to Europe, which is more like a pharmaceutical model.

Pricing pressure?

In terms of pricing pressure, and to those of us who are concerned with the idea that marijuana is a commodity that will be subject to pricing pressure, we can rest assured that this may not materialize so easily.

Because demand is so much greater than supply, Aurora management estimates that it will be at least five years before we would have an oversupply situation. The thing to remember is that while there is no shortage of cannabis, there is a big shortage of legal cannabis that is certified to be distributed.

Final thoughts

In closing, I think that while the business is one that seems destined for greatness, one must remember that there will be speed bumps along the way.

We have to remember that a stock that is factoring in overly bullish expectations is therefore mispriced, at least in the short term, and it will not react well to these inevitable speed bumps.

Once again, for investors who want exposure to the marijuana sector, choose your entry points wisely, take profits, and diversify by holding a basket of [marijuana stocks](#).

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/27

Date Created

2019/02/12

Author

karenjennifer

default watermark

default watermark