



Revenue Soars 430% in Aurora Cannabis Inc's (TSX:ACB) Q2 Earnings Statement

Description

Yesterday, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) released its Q2 fiscal 2019 results. As is typical for the company, revenue soared, hitting a dizzying pace of 430% year over year.

Aurora has been growing quickly in recent quarters, having made headlines for [boosting sales 260%](#) in Q1. In Q2, the growth rate was even higher, which bodes well for the future of the company and the cannabis industry generally.

The big question mark this earnings season is whether increased revenues from legal recreational cannabis can offset the mounting losses that have plagued the industry. Aurora's Q2 report provides some early hints that the answer might be yes, but we'll have to dig deep into the earnings statement to understand why that is. First, let's take a look at how the company did with revenue.

Unbelievable revenue growth

Aurora continued its recent pattern of triple-digit revenue growth in Q2, posting \$62 million in gross revenue and \$54 million in net revenue. Gross revenue was up 430% from the same quarter a year before, while net revenue was up 363%. Net revenue was lower than gross because of high selling expenses. Both growth rates are phenomenal, but despite this fact, Aurora failed to deliver earnings in the black, as we'll see shortly.

Mounting losses

One of the scariest numbers to come out of Aurora's Q2 report was the net loss: at \$237 million, it's the biggest the company has posted to date. The \$237 million Q2 loss is down from a \$104 million profit in Q1; however, in both quarters, the company's earnings picture was impacted by investment performance.

In Q1, unrealized non-cash gains on securities gave us a \$104 million profit, despite a \$111 million

operating loss. In Q2, mark-to-market losses on derivatives resulted in a \$237 million net loss, despite just \$80 million in operating losses. In case you didn't catch it: the company's operating loss actually got smaller from Q1 to Q2, which is a sign that legal cannabis sales may be inching Aurora closer to operating profitability.

Cannabis selling price down

Another concerning metric out of Aurora's Q2 report was the cannabis selling price: at \$6.23, it was down 23% from the same quarter a year before. In past articles, I wrote that competition from black market dealers could create [downward pressure](#) on legal marijuana selling prices, as happened in Colorado a few years ago.

What we're seeing here is certainly consistent with that, although Aurora management blamed the problem on taxes rather than competitive pressure. Regardless, the selling price of Aurora's product fell — thankfully, massively increased volume made up for it.

Foolish takeaway

Aurora's Q2 report gives us some big numbers to chew on. The highlight, of course, is the massive revenue growth which, depending on what happens on Thursday, may be enough for Aurora to take the cannabis crown from **Canopy Growth**. The mounting net loss is a concern, but it's encouraging that the operating loss is trending in the opposite direction. The decline in the selling price of cannabis is something to keep an eye on, as it could adversely impact the company's profitability going forward.

All in all, I'd categorize Aurora's Q2 results as moderately encouraging.

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