



## 3 Reasons Aurora Cannabis (TSX:ACB) Q3 Results Weren't All That Impressive

### Description

**Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB) hit \$65 million in net revenue in its most recent quarter. It was quadruple the \$16 million in sales that the company did a year ago, but that doesn't tell the whole story. Here are my three takeaways from the company's Q3 results.

### Sales were up, but still not where they were supposed to be

Investors might recall that before Q2 was released, the company issued a [warning](#) saying that it wasn't going to come close to hitting sales targets that analysts were expecting. Initial projections saw Aurora reaching up to \$67 million in sales; instead the numbers came in at just \$54 million. Even the current Q3 numbers still wouldn't top estimates originally set out for Q2.

And so while it may be tempting to get excited to see the top line soar from a year ago, investors shouldn't forget the context and that revenues haven't been as strong as expected. However, it's not exclusively an Aurora problem as we've seen other companies [miss expectations](#) as well.

### Fair value gains of \$16 million weren't enough to put the company in the black

In Q3, Aurora recorded a net loss of more than \$160 million, eight times the loss it incurred a year ago. What's remarkable is that even with the benefit of fair value gains padding its gross profit and pushing it to \$53 million, that still wasn't enough to offset all the cost increases.

Other expense items of \$92 million certainly didn't help, and pushed the company deeper into the red, but Aurora still incurred a sizeable loss from operations, totalling \$78 million and more than double last year's loss of \$31 million.

General and administrative expenses were up \$41 million, while share-based compensation rose by \$23 million. In the earnings release, CEO Terry Booth said, "We are laser focused on building a long-

term sustainable business.” A sustainable business to me is one that makes money and can keep itself afloat without having to rely on debt or equity to fund it. Today, Aurora is nowhere near that. While some investors might be content with sales growth, over the long term, it’s going to be harder to ignore the losses.

## Cash has been burning at a rapid pace

Further proof of unsustainability is that over the past nine months, Aurora has used \$188 million on just its operating activities, compared to \$37 million during the same period a year ago. It has also been spending more on capital as purchases of plant, property and equipment totalled \$247 million in the first three quarters of the year, which is more than double last year’s amount.

## Bottom line

Aurora showed strong sales growth in Q3, as many other marijuana companies did. However, there are some significant issues on its financials that would make me hesitant to ever considering investing in the stock. The danger of an unprofitable company and one that’s not able to generate cash is that it’ll lead to more share issues, which will result in dilution for shareholders and impact overall returns.

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