



Aurora Cannabis Stock (TSX:ACB) Is Down 15% Since April: Could it Be Headed Even Lower?

Description

It's been a rough few months for cannabis stocks. Although things were initially strong out of the gate for 2019, we've seen far less excitement from investors so far this year. While we can say that **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB) has risen 45% since the start of the year, most of those returns were earned in the first month of the year when the markets were recovering from a big sell-off late in 2018.

Since February, Aurora's share price has risen by just 6%, and since April it is down more than 15%. This is unusual territory for pot stocks, which generally have enjoyed some good runs over the past few years.

Why are stocks struggling?

One of the reasons cannabis companies have been struggling is simply because they've been overvalued for some time. And now that the honeymoon phase in Canada is effectively over, simply promising investors growth has not proven to be enough anymore. Investors are looking more closely at results now that the legal cannabis market has arrived.

In Aurora's [most recent quarter](#), there were many red flags on its financials that should have investors concerned, especially for a stock that today trades at more than 60 times its sales at writing. However, it's not just underwhelming results that are the problem, but also the fact that there are more cannabis companies to choose from now, especially with the U.S. market starting to flourish as more states go to legalize marijuana.

Whether it's **Trulieve Cannabis Corp**, **MedMen Enterprises Inc** or one of the [new listings](#) this year, there's just no shortage of options for cannabis investors, which means that for a stock like Aurora, investors will expect a lot more for the company. Earlier this year, Aurora brought on some big names onto its management team, presumably to help find some good growth opportunities and potential acquisitions. However, there have been no significant developments from the company this year, which

could also be one reason why stock has not been performing so well.

In an industry where announcements and growth initiatives help drive share prices up, Aurora has been noticeably quiet on that front. It's going to need something significant if it aims to turn the tide around and generate a rally in the stock price.

Should investors consider buying Aurora today?

The argument could be made that with Aurora's price down, it could be a good buy today. However, I'd argue that with a market cap of over \$10 billion, it's still heavily overvalued given that it may not even be one of the top pot stocks in the industry a year from now.

Although it'll continue to grow in sales, the market is quickly becoming saturated with competitors, and securing market share might prove to be a big challenge. With supply levels increasing, that will put downward pressure on prices and margins, making it even more difficult for a company like Aurora to turn a profit.

There's simply too much risk and potential downside for the stock, which is why I wouldn't consider it a good investment to make anytime soon.

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