



3 Scenarios That Would Make Aurora Cannabis (TSX:ACB) Soar Overnight

Description

There's been one word that comes up again and again regarding cannabis stock **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and that word is *patience*.

Investors have been told a million-and-one times that they will have to wait and then wait some more to see this company come into its glory. International expansion, low-cost production, and sky-high production rates promised, investors are sitting around twiddling their thumbs while they wait for this stock to slowly rise.

And granted, it has risen. Since the drop at the end of 2018, Aurora stock has [come up about 50%](#). Another 60% and the stock will be at its 52-week high!

Investors haven't been hopeful of this happening, given the stock's recent performance coupled with not only disappointing results for the company, but for its peers as well. However, there are a few scenarios where Aurora's stock price could soar overnight.

Partnering up

Where other cannabis companies have ramped up operations with the funding of brand-name partnerships, Aurora has taken another path. The company has used shareholder cash to pay for acquisitions and expansion, and its diluted shares, leaving shareholders none too thrilled over its methods.

But the company says there is method to its madness. When they brought on billionaire Nelson Peltz as a strategic advisor, Peltz supported Aurora's decision, seeing Aurora's independence as beneficial to the company's long-term success. Rather than have to make decisions based on another company's views, Aurora can do what it wants, when it wants.

That doesn't mean there won't be *any* partnerships. In fact, Aurora has said it's open to multiple smaller partnerships across market segments ranging from beverages to makeup. Peltz's Rolodex will certainly be helpful for those partnerships, and any of those announcements could give the stock a

major boost.

Recurring revenue

The next issue is Aurora's need to prove it can create recurring revenue in its books. This will be a difficult task, as the company has been on a spending spree to ramp up its operations. Aurora is now the world's second-largest marijuana producer, but even more than that, it also produces for the lowest cost. Where others are producing pot at between \$3 and \$7 per gram sold, Aurora is currently at around \$1.50 with plans to bring that all the way down to \$1 per gram.

What does this mean for investors? As soon as Aurora can prove it can bring in recurring revenue, shareholders should be thrilled knowing that as revenue grows, it won't be eaten up by production costs. That should make Aurora a [profitable company](#) far before its peers.

To prove it can bring in that revenue, however, will be tricky. The company will need to show over at least three quarters that it can bring in recurring revenue again and again. Until then, investors will, of course, have to wait. But once that happens, confidence in the company should translate directly into the stock price.

International sales

Investors have been about two minds when it comes to Aurora's production. On the one hand, Canadians want pot, and there is a backlog to get it. On the other, they fear Aurora might be planning to produce too much to supply Canadians with. The company has the capacity to produce about 625,000 kilograms annually, and that is set to climb to 750,000 kilograms.

But here's the thing: Aurora isn't thinking about just Canada. It's not even just thinking about North America. It's thinking global. The company already has a presence in 24 countries, looking across Europe to find where cannabis is most likely to be legalized and getting in on the ground floor. And it's working. International medical sales recently grew by 38% to \$4 million in the last earnings report.

The problem is, until Aurora can fill that Canadian craving for pot, it won't be able to send out as much marijuana globally. Once that goal is reached, hopefully within the next two years, international sales could outpace Canadian sales, leaving Aurora in a prime position to have a continuous stream of diverse revenue from across the world. When that's noted in its earnings report, expect stocks to soar.

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