Aurora Cannabis (TSX:ACB): 5 Must-Know Takeaways From Latest Earnings Guidance

Description

Aurora Cannabis (TSX:ACB)(NYSE:ACB) is developing a culture of unparalleled transparency and market openness that is very welcome, commendable, and exemplary for the nascent cannabis industry.

Management's latest (and second such) earnings guidance for the recently closed June quarter and fiscal year 2019 gives testimony to that, and the numbers are just beautiful.

Here's what you need to know about the company's upcoming earnings report in September and why you should care.

Strong revenue growth

Net revenue for the last quarter is expected in the range of $100-107 million, representing a strong 54-64% sequential growth from a previous quarter and a massive 424-460% increase from comparable quarterly sales last yaer.

Most noteworthy, the majority of this quarterly revenue, at $90-95 million, is pure cannabis net revenue from internal operations, unlike at **Aphria**, where about 78% of net sales were lower-margin distribution revenues from externally purchased products in the recently reported quarter.

Annual net revenues are expected to be within the $246-256 million range.

Company exceeded production targets

Prior guidance was for the company to produce and have available for sale about 25,000 kilograms of cannabis during the recently closed quarter. Management expects to report a better number that is close to the upper end of the 25,000-30,000 kilogram range as inventory available for sale during the quarter. This would be much better than the earlier guidance.

The company has potentially benefited significantly from the recent full licensing at flagship Aurora Sky facility.

Growth in all revenue-generating segments

While other leading industry players like **Canopy Growth** have seen medical cannabis sales trending lower before and after recreational legalization, Aurora is still growing this segment, and it expects to report positive growth all segments, including exports and adult use sales.

The company commenced higher-margin oil sales to Germany pharmacies in March.

Margin expansions loading

Aurora may report sequentially better quarterly adjusted gross margins, lower cash costs per gram produced, and higher kilograms of cannabis sold during the quarter.

If average selling prices didn't soften during the quarter, and if operating costs were contained, operating margins could improve too, and that would be wonderful news, as the company targets positive adjusted EBITDA in the near term. This brings us to the last matter.

A lukewarm comment on adjusted EBITDA

An earlier management guidance in May was that the company was "on track to deliver positive EBITDA beginning in fiscal Q4 2019," and that statement was made midway into the quarter (the fiscal Q4 2019), but the latest guidance is that "the company continues to track toward positive adjusted EBITDA, and in particular adjusted EBITDA from cannabis operations."

Could it be possible that the positive adjusted EBITDA target was missed for the recently closed quarter, or else the company intends to surprise the market come September?

Investor takeaway

Aurora stock traded over 6% higher after delivering an earnings guidance, and the numbers promise to be exciting in September, but I have a keen interest in the adjusted EBITDA figure, specifically from cannabis operations. And I still expect recreational sales to take the lead.

The stock could be on track to a strong price recovery if all boxes tick in the next earnings release.

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