



Key Takeaways From Aurora Cannabis' (TSX:ACB) Fourth-Quarter Results

Description

Canada's top pot company, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) announced its fiscal fourth quarter of 2019 (ended in June) results after market close on September 11, 2019. The company reported revenue of \$98.9 million, a rise of 52% sequentially and 416% year over year.

The company's net cannabis sales grew 61% sequentially to \$94.6 million. Canadian consumer sales were up 52% at \$44.9 million, while medical cannabis sales rose 10% to \$29.7 million. Wholesales revenue accounted for \$20.1 million of sales.

The cost to produce per gram sold fell 20% in the fourth quarter, or by \$1.14 per gram. Cannabis production rose 86% to 29,034 kilograms. ACB's gross margin on cannabis net revenue rose 300 basis points to 58%.

Aurora Cannabis expanded its medical patient base by 10% to 84,729 in the fourth quarter. The most important criteria for ACB was its EBITDA loss, which came in at \$11.7 million and rose 68% from an EBITDA loss of \$36.6 million in the third quarter of 2019.

ACB attributed the sales growth to increased production capacity. The decline in cost per gram was driven by an increase in sales volumes to both the consumer and wholesale markets. The gross margin moved higher as the cost to produce per gram fell.

Sales were below analyst estimates

Analysts expected ACB to post sales of \$108.3 million in the June quarter. Aurora had forecast fourth-quarter sales of between \$100 million and \$107 million. It also estimated production of close to 30,000 kilograms.

Investors will react negatively to ACB's fourth-quarter earnings, as the company not only missed analyst estimates, but also reported sales below its own forecast. Aurora's lukewarm results might negatively impact the overall cannabis sector as well, driving peer stocks lower today.

In the company's press release, ACB management did not provide a reason for lower than expected sales. CEO Terry Booth stated, "In 2019 Aurora took its place as the global leader in cannabis production, research, innovation, and international market development. We are executing on all our strategic priorities. Our best-in-class cultivation methods allow us to grow consistent, high-quality cannabis at scale. Because of this, we've delivered solid revenue growth in the fourth quarter. We are working to extend our reach in the U.S. markets."

He added, "We are focused on building a sustainable, high-margin business while providing patients and consumers with access to safe and reliable medicine."

Stock has slumped in after-hours trading

ACB shares were down close to 9% in after-hours trading on September 11, 2019. The company did not provide details of its adjusted earnings. Analysts had predicted that Aurora Cannabis would forecast earnings of $-\$0.05$. Aurora stock has now fallen 49% since October 2018.

In the earlier earnings call, Aurora's management was positive about achieving positive EBITDA by the end of 2019. Although ACB managed to reduce EBITDA loss sequentially, it is still behind profitability targets, which might concern investors.

Aurora has stated that it has identified production bottlenecks and continues to experience strong sell-through of products in retail markets. It's reportedly working with channel partners to streamline the distribution process, which should also result in EBITDA improvement.

ACB expects EBITDA margin to improve driven by revenue growth, increase in gross margins and a focus on operational efficiency. Will Aurora be able to follow through on its forecasts going forward?

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Date

2025/06/30

Date Created

2019/09/12

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