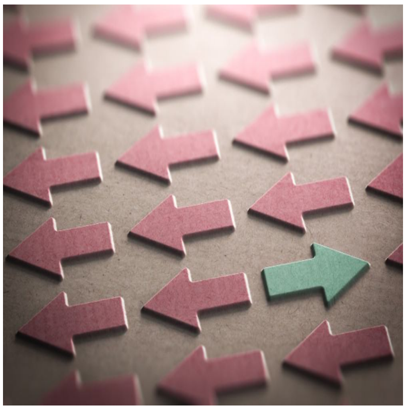

Aurora Cannabis (TSX:ACB): Why You Should Buy the After-Earnings Dip

Description

It is always a crucial time when one of the top cannabis companies releases its earnings report. Given the nascent nature of the industry, the performance of these firms gives us important clues as to how the market is evolving.

Aurora Cannabis (TSX:ACB)(NYSE:ACB) is the latest top pot company to release its financial results.

Let's see how Aurora performed.

Before a fall…

As the old proverb goes, pride comes before a fall. That is perhaps what happened to Aurora Cannabis during the last quarter.

Just about a month ago, the Edmonton-based marijuana company predicted it would post revenues in the neighborhood of $100 million to $107 million. The consensus analyst estimates also projected that Aurora's revenues would break the $100 million mark, placing them at around $108 million for the quarter.

However, the company failed to deliver on its promise and failed to live up to analysts estimates. Aurora's revenues "only" came in at $98.9 million. As a result, the firm's share price dropped sharply during the after-hour trading session following its earnings release.

Although holding Aurora accountable for its miss is important, it is equally essential to focus on the big picture. All things considered, the marijuana company's revenues weren't bad at all. After all, the $98.9 million figure represented a 415% increase year over year, and, more importantly, a 52% sequential increase.

Note that Aurora's biggest rival in the Canadian market — **Canopy Growth** — failed to deliver a sequential revenue increase during its last quarter.

As the Canadian market tightens, it is becoming harder for cannabis firms to acquire and maintain a notable share of the market. Aurora, though, managed to deliver serious organic growth in this competitive environment.

Further, the company's medical segment seems to be firing on all cylinders. Aurora's average net selling price for recreational product fell by about 6%, but its average retail price for medical products remained constant. There is bound to be a supply glut in the recreational market eventually, which will drag down prices and margins.

Fortunately, Canadian cannabis companies are anxiously awaiting the launch of the derivative market. Thus, although the lion's share of Aurora's revenues came from its recreational segment, that shouldn't be cause for concern.

Finally, the company continues to increase its production capacity. During the quarter, Aurora added several new cultivation facilities, which led to an 86% sequential increase in production volume.

The bottom line

Aurora has more tricks up its sleeve. The company recently made an acquisition that will improve its standing in the lucrative CBD market. All these developments should help the firm maintain strong top line growth.

Lastly, I still believe Aurora will eventually find a partner with deep pockets that will further improve its prospects. All these factors make Aurora one of the better plays in the cannabis market, in my opinion.

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