



Cannabis Sell-off: Aurora Cannabis (TSX:ACB) Leads Decline in Cannabis Stocks

Description

Shares of leading cannabis producer, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have fallen over 17% since September 11, 2019. The stock has experienced weakness after Aurora announced its [fiscal fourth quarter of 2019](#) (ended in June) results on September 11 after market close.

What impacted Aurora stock recently?

Aurora reported sales of \$98.9 million, an impressive growth of 416% year over year. However, sales were below analyst estimates of \$108.3 million as well as its own forecast. In July this year, Aurora had forecast sales between \$100 million and \$107 million in the June quarter.

Aurora shares were further impacted after investment firm Stifel Nicolaus downgraded the stock from “hold” to “sell.” According to one Market Watch report, Stifel Nicolaus analyst Andrew Carter provided the downgrade details in a client note. Carter stated that while Aurora missed fourth-quarter estimates, the details were far worse.

Carter expects Aurora and peer stocks to experience near-term weakness due to negative investor sentiment and regulatory issues.

The Market Watch report mentions Carter’s note, which states, “Our outlook suggests significant downside potential for the shares of Aurora over the near term, given it will be difficult for the company to continue positioning for the larger global opportunity within the confines of significant financing risk that could challenge the company’s ability to fully embrace the level of investment needed to be a leader not only in the global cannabis category but also in Canada.”

Carter and other analysts expect Aurora to experience weakness and volatility until it partners with a huge consumer product brand. **Canopy Growth** partnered with **Constellation Brands** last year. Several other cannabis stocks are growing via partnerships and investments.

Cannabis stocks have lost considerable value in the last week

After a solid start to the month, several pot stocks have declined post ACB's earnings. The **Horizons Marijuana Life Sciences Index ETF** is down 5.3% since September 11. Other players, such as **Hexo** and **Aphria**, have slipped 5.9% and 9.7%, respectively, in the same period.

Pot investors have had a horrific time since marijuana was legalized last October. The investor euphoria drove several cannabis stocks to all-time highs. However, once the legalization took effect, investors were worried about high stock valuations, resulting in a market sell-off.

Pot enthusiasts are still positive about the total market opportunity for Aurora and related companies. There are, however, some regulatory issues that need to be sorted out.

Canadian provinces are not too aggressive in handing out retail licenses for cannabis stores, which could have impacted company sales.

While several analysts were optimistic about the next wave of marijuana legalization to drive cannabis stock prices higher, this has not been the case so far. Canada is poised to legalize vapes, edibles and concentrates next month. Here, too, some regulatory bodies might be concerned over the impact of vaping on young smokers.

The pot market is expected to rise at a significant rate over the next few years. The medical marijuana market in Europe, North America, and Latin America will drive this growth. Further, several countries will look to legalize recreational use as well in the coming years.

However, the cannabis market is likely to be a regulated industry for many years, potentially hindering growth prospects of marijuana producers.

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Date

2025/07/02

Date Created

2019/09/19

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