



When Will Aurora Cannabis (TSX:ACB) Stock Bottom Out?

Description

Shares of Canada's cannabis heavyweight **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) are currently trading at \$4.7. The stock is trading 65% below its 52-week high and has lost close to 18% this month.

On October 22, 2019, Piper Jaffray analyst Michael Lavery reduced the price target for Aurora Cannabis, according to a report from *The Fly*. The analyst reiterated a "Neutral" rating on the stock but reduced the stock's price target from US\$7 to US\$4. Aurora is trading on the NYSE at a price of US\$3.58.

According to Lavery, "*Aurora lacks visibility on key strategic growth priorities.*" Lavery also cut target prices for **Tilray**, though he is bullish on **Canopy Growth** and **Cronos**. Last week another *Fly* report stated that **Bank of America** lowered Aurora's price target from US\$6 to US\$5.

Analysts continue to revise their targets for cannabis companies as several had overestimated the demand and growth metrics for these stocks. Aurora Cannabis, Canopy Growth, and **Hexo** missed quarterly revenue estimates over the last two months and this has severely impacted stock prices and extended this downturn.

We have also looked at the reasons for the [carnage in marijuana stocks over the last year](#). After the legalization of recreational marijuana last October, stocks plummeted due to overvaluation. Then companies such as **CannTrust** were hit by regulatory issues.

The recent vaping scandal contributed to this decline. I had also identified the illegal market as a major problem that is leading to rising inventory levels for marijuana companies.

What next for Aurora Cannabis and investors?

Though Canada recently legalized cannabis-infused products such as vapes, edibles, and concentrates, these products will not be available for retail purchase until mid-December. Several cannabis companies, including Aurora, are eyeing this market to sustain robust revenue growth.

Aurora's CEO Terry Booth stated, "Aurora has built industry-leading cannabis capacity and scalability supported by our consumer research and retail distribution bench strength to launch this next generation of cannabis products into the Canadian market."

He added, "We are ready to ship product as soon as the regulations allow and are excited for consumers and patients to finally have access to a greater selection of product forms. We are already working on expanding the range of new products beyond those that will initially launch."

Aurora has established production hubs in Ontario, Quebec, and Alberta to ensure an efficient supply of products in the domestic and international markets. These hubs will have over 450,000 square feet of space and are strategically located to ensure the optimum distribution of products across Canada.

Though Aurora and other marijuana companies have invested heavily for Cannabis 2.0, they might expect tepid demand for vaping products due to health-related concerns. However, lower sales for vaping products might drive up demand for edibles and other products and offset the decline.

Is Aurora stock a "Buy"

Analysts tracking Aurora Cannabis continue to remain bullish. They have an average target price of \$8.32 for the stock, which is 73% above its current price. However, as we have seen above, marijuana companies are struggling to fight off competition from the illegal market.

Aurora and peers are also unprofitable. Add the downward revision of their sales estimates to the mix and the stock price might very well fall lower heading into 2020.

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