Aurora (TSX:ACB) Tumbles Over 67% From Its Peak: Time to Buy?

Description

Aurora Cannabis (TSX:ACB)(NYSE:ACB) is going through some dark times. Well, the overall cannabis market is, but being the largest producer in the country, Aurora is suffering more than most.

The current market value of $4.86 at the time of writing this is an all-time low since the legalization of marijuana. What does this mean for an investor like you? Is Aurora ripe for buying? Or should you stay away?

In the wake of Cannabis 2.0, many would have thought that the marijuana stocks would see a sharp angle upward. The stocks indeed saw a sharp turn, but it was downward.

Almost all the major players in the market are suffering, and most saw their market value decline more than 40% in the past three months.

As the whole industry is suffering, one factor behind Aurora's low market value might be the market association. But before you make a decision, you need to know about the foundation of the company and the risks it has taken.

Foundation

Aurora is the largest cannabis producer in the country, and is on its way to becoming one of the largest in the world in mid-2020. The company is set to increase its capacity to about 625,000 kilograms. Aurora has focused primarily on medical marijuana.

It's considered a smaller and less profitable market than the recreational marijuana industry. But the medical market yields consistent and long-term consumers.

Aurora also has an impressive international presence. With operations in about 24 countries, the company can expect to stay protected, especially against an overstocked and oversupplied local market, by exporting internationally.

The company has also made significant acquisitions. These acquisitions indicate the direction of the company. Aurora has focused more on growing and expanding its capacity than on making money for its investors.

Another positive about Aurora is that the company has focused on bringing down the production cost. Its per gram cannabis production is one of the cheapest in the industry.

Risky endeavors

Aurora’s growth and acquisition spree can be seen as the wild starting days of a company that might settle down as the market leader. But these acquisitions cost substantial funds.

The way Aurora decided to acquire those funds was dilution. This fund-raising method is one of the reasons why Aurora’s stock stayed so low compared to others in the market, even when the value was at an all-time high. The company now has a little over one billion outstanding shares.

Another significant risk the company took was to invest a lot of money in goodwill. At the end of the third quarter, Aurora recognized the goodwill amount of $3.18 billion, which makes up more than 57% of the total assets. This massive amount of goodwill, if not written off soon enough, will create serious problems for the company.

Foolish takeaway

Aurora is trading at a seriously low price. Will the rate go down even further? Will, it hit rock bottom soon? No one can truly predict. The company has taken some significant risks, but also some very bold steps. The current cannabis market might not seem like a safe investment, but it may change in the future.

Cannabis 2.0 might invoke another growth spree in the marijuana market. And if the cannabis stocks start climbing up, Aurora might see a significant turnaround.

As the largest producer with one of the most diverse portfolios, Aurora may have the potential to make you a lot of money in the future.

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