Aurora (TSX:ACB) Stock Dipped Below $5 and Is Too Cheap to Ignore!

Description

Aurora Cannabis (TSX:ACB)(NYSE:ACB) shares present a picture of how bad 2019 was for the entire legal marijuana industry in Canada. From reaching remarkable highs of $13.71 towards October 2018, it took ACB very little time to drop to half its value and go down to $6.67 by the end of December.

Things started looking up for the pot stock, as ACB climbed up to $12.83 in March 2019. Much like most of the significant pot companies, the second-largest Canada-based cannabis producer had a lot of growth potential. Similarly, the now $4.96 billion market capitalization company could not deliver profitability, which reflected the promise.

It is safe to say that analysts and investors alike are wary of the overall legal marijuana industry, and Aurora Cannabis is no exception. ACB saw a steep drop in value from its 52-week high from March 15, 2019, to lose 62.43% and come down to the current price of $4.82 a share. The question is, does the below $5 valuation make ACB a good buy?

Growers causing growers problems

A significant reason why the wider legal marijuana industry could not deliver profitability is owing to the illegal pot industry. Illegal growers have to worry about little more than the costs of growth and distribution. Legal producers have a slew of expenses to worry about, and on top of that, they face regulatory restrictions and quality standards.

The costs these companies face end up affecting the prices of products that end consumers buy. The demand for recreational marijuana is high, but many consumers prefer to buy cheaper products from illegal growers. Beyond the unfair competition to meet demand, scandals riddling the industry also drive a lot of potential customers away, making life tougher.

More promises

With Cannabis 2.0, Canada passed another wave of laws legalizing further cannabis-related products, such as vapes, concentrates, and edibles. The market for these products presents a better future for pot producers since they entail higher profit margins for the significant pot companies. The announcement was as recent as October 17, 2019, and these products will not be available for retail until at least mid-December.

Aurora Cannabis is among the several companies eyeing Cannabis 2.0 as an opportunity to make right on its promises. The company plans to use this as a means to reach better valuations and sustain robust growth in revenue.

Terry Booth, Aurora's CEO, stated that the company has made industry-leading capacity to produce cannabis. He claims that ACB's consumer research and retail distribution bench strength will help the company launch the next-gen cannabis products in the Canadian markets. Aurora has plans to leverage the broader market opened up by Cannabis 2.0.

Foolish takeaway

I have said it before, and I will repeat it: ACB has *a lot* of potential for growth. The introduction of next-generation products, courtesy of Cannabis 2.0, could likely present Aurora the adrenaline shot that the company needed. However, as I also said, pot companies are struggling to compete with the illegal weed market.

If you are interested in cannabis stocks, I believe that taking a little bit of risk and placing your faith in Aurora could turn out to be great. I would not, however, suggest investing more than what you are willing to lose.

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