



Kicking Aurora (TSX:ACB) When it's Down Is Unwise

Description

The bigger they are, the harder they fall. This saying seems accurate enough for marijuana giant **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB). It is just as valid for other giants in the country (**Canopy Growth** and **Cronos Group**) as well. But Aurora has kind of become the poster child for lousy marijuana investments. But for smart investors like you, it would be prudent to think before giving up on Aurora.

The whole marijuana industry is suffering. Even the Cannabis 2.0 legalization phase has not turned things around for the green industry.

Aurora's suffering, along with its peers, is evident in the company's market value going down by 30% this year, just like the market leader Canopy. Even with a 400% increase in the year-to-year revenue generation, the company is operating at a loss.

So, is there any upside? Is there a reason to keep holding on to Aurora or buy into this severe dip and hope for a better future?

Reasons behind the bad condition

One of the reasons behind the company's abysmal returns and losses might be that it's considered guilty by association. Investors are losing confidence in the marijuana industry as a whole, and Aurora is suffering because of this disbelief, just like other industries in the business.

Another reason is that the legal marijuana industry is still struggling against the black market. In a nascent industry, it's taking Aurora and its peers to bring the production cost down enough to sell at the prices comparable to that of the black market. It's taking time, and the gap between the price of legal marijuana and illegal black market weed is too big to jump over, for now.

One more reason for Aurora to appear in all red numbers is the company's aggressive acquisition approach. The company has stretched itself thin and is heavily indebted in its race to acquire similar businesses. As of now, the company has made nine significant acquisitions, among them the \$3.2

billion purchase of MedReleaf.

Possible upside

While the acquisitions have severely affected the company's ability to generate profits for its investors, they have served another purpose. They have given the company significant roots in the broader marijuana market. The company operates in 25 countries, and with a focus on medical cannabis, the company has become a substantial player in the global medical marijuana business.

Another feather in Aurora's cap is the production cost per gram. As per the results of the last quarter, the company has brought the production cost per gram of marijuana down to \$1.14. The company is one of the few in the market that has the potential to compete with the black market prices in the long run. Aurora has also taken a bold step in [automating the medical marijuana purchase](#) and dispatch process.

Foolish takeaway

Aurora might be struggling now, with investors losing any hope for profitability and the market going down in general. But you would be better off playing the long game. The marijuana industry is still in its early years, and once it gains momentum, a massive boulder, like Aurora, [might roll faster](#) than many of its peers.

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Date

2025/08/25

Date Created

2019/11/08

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