



Why Aurora Cannabis (TSX:ACB) Stock Fell 13.53% Last Friday

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) had an epic one-day loss last week, falling 13.53% from its Thursday closing price to its Friday closing price.

The losses came after months of bad news for the cannabis industry, ranging from **CannTrust's Health Canada scandal** to **Canopy's \$1.23 billion loss**.

Aurora itself has not been the biggest disaster among cannabis companies; nevertheless, its stock has been among the biggest losers. This past Friday's selloff was just one particularly sharp slide in a several months-long bear market. Faced with mounting losses, it has fallen 52% year to date.

Although Aurora's year-long trend is easy enough to understand, it's harder to explain why it fell so sharply last Friday. The following are three possible reasons why that happened.

Mixed news in Q1

Aurora Cannabis posted mixed results in its Q1 report, which was generally taken poorly by analysts. The report showed \$75 million in net revenue, \$56 million in gross profit, \$10 million in net income, and a \$77 million loss from operations. Net income was down from \$105 million in the same quarter a year ago, while net revenue missed by \$15 million.

These were pretty disappointing results across the board, and definitely didn't help the company's stock on Friday. However, when considered alongside industry-wide trends, they could be considered even more alarming.

Bad signs in the industry

The cannabis industry as a whole is facing a number of headwinds, many of them related to regulatory concerns.

The most prominent of these is unlicensed growing. So far, two cannabis companies, **CannTrust** and **Hexo**, have been found growing cannabis in unlicensed areas. CannTrust had its licence suspended, while Hexo has so far avoided that fate. The fact that not one, but two companies have been found growing unlicensed pot is a bad sign for the industry as a whole.

Another big problem for cannabis stocks is losses. A full year after legalization, few of these companies are profitable, with Canopy having recently posted its biggest loss ever. While it's normal for early-stage companies to run losses, a lot of these marijuana producers aren't that young anymore, and investors are beginning to demand profits.

Halting of construction

A final factor that may have contributed to Aurora's Friday slide was the halting of construction on its Nordic 2 factory in Denmark.

While the halting of construction will save the company \$80 million, it's a sign that management is beginning to become concerned about expenses. It also shows the conundrum that cannabis companies face when it comes to growth and profits. On the one hand, growth comes at a huge cost, which is the main reason that most of these companies are running losses. On the other hand, when you opt out of growth spending, you fall behind your competitors on revenue and market share. It's a hard trap to escape from, and so far, Aurora's management doesn't appear certain of a good way out.

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