



## Forget \$3: Could Aurora (TSX:ACB) Stock Drop to \$0?

### Description

Cannabis investors, beware: bad times are possibly on their way for **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB). Since Cannabis 1.0, the pot industry has declined drastically across the board. Aurora Cannabis is one of the major players in the marijuana sector on the TSX, and it might have worse on its way.

### Bad news

Trading for \$3.48 per share at writing, ACB stock is down by 74.62% from the record highs the company achieved right before the Cannabis 1.0 announcement. Aurora is one of the pot companies with plenty of assets to its name. The fact that there is no profitability in the legal weed sector, ACB had to rely on issuing shares to raise capital for those acquisitions.

In the stock market, the more shares you issue, the more the shareholder wealth gets diluted. The company already has over one billion shares trading on the stock market. The past Monday saw ACB announce that its holders have sent them a notice to convert the unsecured convertible debenture debt into equity for them.

According to ACB, the 5% convertible debentures are worth \$277 million. The conversion of the debentures into equity will take place for \$3.2837 per share. Based on the amount and the price per share, ACB will have to issue an additional 69.13 million shares with a deadline for March 9, 2020.

The already diluted wealth has caused the share prices of ACB to plunge. Issuing more than 69 million more shares will not make things any better for the pot producer.

### ...it gets worse

The only ray of hope for Aurora and the overall cannabis industry is the sale of products legalized by [Cannabis 2.0](#). If there is a strong demand for Cannabis 2.0 products, it can open up a new revenue generation stream for Aurora Cannabis. Hopefully, this revenue stream will not get bogged down by

the illegal sector with the competition.

Enter the United States Food and Drugs Administration (FDA). The FDA has released a detailed report that concerns all the safety issues related to CBD products. The governing body in the U.S. claims that there is a lack of evidence to support that CBD products are safe for consumption.

The cannabis sector was rattled by the [CannTrust scandal](#) because the company was growing unregulated strands of weed without regard to regulation. Reports like the one issued by a significant governing body can become the final nail in the coffin for companies that are already struggling.

## Foolish takeaway

I want to say that my verdict on ACB is like the flip of a coin at 50/50. There's the fact that a strong demand for Cannabis 2.0 can potentially send ACB stocks skyrocketing. Between the March deadline to convert unsecured convertible debentures into equity for its holders and the impact of health concerns on demands, I think the situation is not favourable for ACB.

I would be wary of ACB stock, but in the off chance it takes off, the sky is the limit for Aurora stock in the long run.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Cannabis Stocks
2. Investing

### Date

2025/08/24

### Date Created

2019/12/04

### Author

adamohtman

default watermark