



Down 60% in 3 Months, Is Aurora Cannabis (TSX:ACB) a Buy?

Description

Top Canadian cannabis stocks have [received a beating](#) in the second half of 2019. This is doubly concerning when we consider that the S&P/TSX Composite Index has soared to record highs this year. The cannabis sector has seen its share of disappointments since recreational use was legalized in October 2018. Today, I want to look at one of the biggest players in the cannabis game. Should investors jump on this plunge with the long term in mind?

A difficult year

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) stock has plunged 59.7% over the past three months as of close on December 11. Shares have dropped 34% just over the past month. Investors were already nervous ahead of its fiscal 2020 first-quarter earnings report. A disappointing earnings release put the cap on what has been a brutal year.

The company announced that it would halt construction of its Aurora Nordic 2 facility in Denmark to save \$80 million over the next year. Earlier this year, I'd discussed why Aurora's cash situation has been a [source of concern](#). It had hoped to achieve profitability in the fiscal year 2019 but was forced to push this back due to disappointing results.

The company has said that the retail rollout in Canada, especially in provinces like Ontario, has not proceeded as smoothly as it would have liked. Fortunately, the Ontario government is reportedly mulling an overhaul of the licensing system, which may open the floodgates for more retail openings in the future.

Net income fell to \$10.4 million in Q1 FY 2020 compared to \$104.2 million in the prior year. However, gross profit rose 58% to \$53.7 million, and it achieved attractive indoor cash cost to produce of \$0.85 per gram.

Encouraging signs ahead

This year was a bummer for Aurora, but there are some promising developments for this company and the sector at large as we look ahead to the new year. Aurora and its peers should receive a boost in the coming quarters from the rollout of Cannabis 2.0, which includes the sale of edibles and vape pens. A continued boost in retail outlets is another development, which should boost revenues for the rest of fiscal 2020 and beyond.

Aurora has managed to carve out an international presence in 25 countries. However, it is looking for approval in Germany to continue selling its products. In early December, it received its first approval for a medicinal cannabis product in Ireland.

The addition of Nelson Peltz to the Aurora team as a strategic advisor generated considerable buzz earlier this year. However, investors have yet to see the kind of big fish partnerships that they have been craving. **Canopy Growth** surged to all-time highs on the back of its **Constellation Brands** partnership, while also receiving a boatload of cash. We will be looking for similar moves from Aurora in the months ahead.

Is it a buy today?

Shares of Aurora are still trading near a 52-week low as of close on December 11. Its volatility should push away investors who are unwilling to take on major risk going forward. For those who are on the hunt for a speculative buy, Aurora is still worth your attention. It still holds major long-term potential, and the stock last had an RSI of 38. This puts it close to technically oversold territory.

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