



Will Aurora Cannabis (TSX:ACB) Fall Below \$1 in 2020?

Description

Investors who bought cannabis stocks in 2019 got burned badly, particularly those who bought **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB).

Starting the year at \$7, it closed it out at just \$2.50, making it one of the worst-performing marijuana stocks of 2019. After seeing several enormous losses, the stock fell out of investors' favour early on and just kept tanking.

Now, the question is how much further the stock has to fall. With executives being forced out and European operations facing major headwinds, it seems unlikely that Aurora will recover significantly in 2020.

In the worst-case scenario, we might even see the stock fall below \$1. To determine whether that will happen, we need to answer two main questions: can Aurora become profitable, and can it keep up its strong revenue growth?

Can it be profitable?

Profits have been a huge sticking point for marijuana stocks in general, and Aurora is no exception.

In its most recent quarter, Aurora had delivered positive net income of \$10 million, but a loss from operations of \$77 million. The operating loss was down from the same quarter a year before, but still large as a percentage of revenue.

As for the full 2019 fiscal year, the company lost \$297 million (net) on top of other comprehensive losses of \$72 million, bringing us to a [whopping \\$370 million total comprehensive loss](#).

That's far greater than the amount of revenue the company pulled in last year, so we'll need to see some major changes before this company can become profitable.

Can it keep up its high growth?

Another big question for Aurora Cannabis shareholders is whether the company can continue its strong growth.

Over the past three years, Aurora has grown its net revenue by 190% CAGR. That's a phenomenal annual growth rate, but it may slow down, for two reasons:

First, the company benefitted from the legalization of cannabis in 2018, creating an enormous revenue boost resulting from the introduction of a totally new revenue stream. When the company reported earnings all through last year, it was comparing quarters with this new revenue stream to prior year quarters when it didn't exist.

Thus, the year-over-year revenue increase was predictably high. This year, however, the company will have to beat prior year quarters that also had legal cannabis, which will be much harder.

Second, Aurora is facing headwinds in Europe. The company recently [lost its ability to sell medical cannabis in Germany](#), and while that problem is temporary, it will likely result in disappointing results when the company releases earnings in February.

Aurora also had some medical cannabis shipments to Italy cancelled. The shipments themselves were not that big, but the reasons cited for the cancellation (non-compliance with EU regulations) could foretell trouble to come.

Expect answers in February

For Aurora Cannabis investors, some clarity will be arriving in February, when the company releases earnings for the quarter ended December 31.

This report should provide a decisive answer as to whether profits are forthcoming, and whether revenue growth will decelerate in the wake of legalization's one year anniversary.

It may also tell us how big of a hit the company will take from its European slip ups. If the worst-case scenario plays out, expect Aurora to slide even further.

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