



Why Aurora Cannabis' (TSX:ACB) Stock Price Could Double in 2020

Description

The last year was nothing short of catastrophic for the Cannabis industry. In a year that saw the **S&P/TSX Composite Index** post its best year since 2009, the **Canadian Marijuana Index** had its worst year on record.

In 2019, the Canadian Marijuana Index lost approximately 55% of its value. After a couple of bullish years — 2016 and 2017 — the cannabis industry is in now in a multi-year down trend.

In late January of 2018, the Canadian Marijuana Index peaked — and it's been downhill ever since. True, there have been a few spikes, but the downward trend remains intact.

What makes 2019's poor performance stand out? The lack of spikes. Since early February, the Index has cratered, setting at levels not seen since 2017. In effect, most of the gains from 2016 and 2017 have effectively been wiped out.

It's no secret that the industry has been mired in chaos. The new fashionable trend? Oust leadership. Boards of directors are beginning to realize that they need seasoned business veterans at the helm of these corporations. To illustrate this, here are the most recent leadership changes.

- This week, **Supreme Cannabis** (TSX:FIRE) replaced CED Navdeep Dhaliwal with board member Colin Moore on an interim basis. It's worth noting that Mr. Moore served as head of Starbucks Canada. In October, co-founder and former CEO John Fowler also departed.
- In December, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) asked former chief corporate officer Cam Battley to step down.
- **Canopy Growth Corp's** ([TSX:WEED](#))(NYSE:CGC) pushed out founder and former CEO Bruce Linton this past summer.
- Former president of **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) Brad Rogers was dismissed following its downfall.
- **Aphria** (TSX:APHA)(NYSE:APHA) CEO Vic Newfeld stepped down from his role last January and former president Jakob Ripshtein was asked to resign in March.

Taking this into account, five of the largest cannabis companies in the country to start the year (2019)

have undergone a change in leadership.

So much change afoot can be a worrisome sign; however, I believe it is a step in the right direction. A good number of these CEOs were also company co-founders and ill equipped, lacking the necessary experience to take these companies to the next level.

With this in mind, and pessimism at an all-time high, it may be time to look at pot stocks once again. Although I still believe the industry is [speculative at best](#), it is now trading at much more reasonable valuations.

One stock that could rebound in a big way is Aurora Cannabis. As the market leading producer, Aurora still has outsized potential. Similarly, despite trading volume dropping across the industry, Aurora remains the highest traded cannabis stock on the **TSX Index**. This is good news, as there remains considerable interest in the stock.

In 2019, [Aurora lost 60% of its value](#), a much bigger drop than fellow market leaders Aphria (-20%) and Canopy Growth (-33%). Thanks to this underperformance, it is now one of the more attractively priced pot stocks, as it trades at only 9.37 times sales and below book value (0.57). In fact, this is one of the lowest price-to-book values among all TSX-listed cannabis stocks.

Now that Cam Battley has stepped down, Aurora can take the next step forward. Should the company be successful in luring a seasoned executive from the consumer products industry, it could be the catalyst that this company desperately needs.

Such a hire would bring instant credibility, and investors would have more confidence in the company's ability to operate as an efficient entity. It could well spark a big rebound and a double in 2020.

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