



Zombie Stock Alert: 1 Weed Stock That Could Rise From the Dead in 2020

Description

Marijuana stocks went through a challenging 2019. Canadian investors saw both big and small names tumble to devastating lows after climbing to record-breaking highs. The initial hype of cannabis stocks after the legalization of recreational use subsided only to be replaced by massive disappointment. Most companies failed to make profits in the industry, and there were [plenty of scandals](#) to bring the industry down further.

Cannabis 2.0 has presented a ray of hope for the legal weed industry. As 2020 begins, there might be a space for contrarian bets for some rich pickings in the sector. One of the easiest names to consider for a stock that could surge back to better numbers is **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB).

I am going to take a better look at Aurora and discuss the possibility of a revival for the pot stock so you can decide whether it is an opportunity or a losing bet for 2020.

Volatile pricing

At its peak back in March 2019, Aurora Cannabis stock were trading for \$13.67 per share. The stock is down by more than 80%, trading for just \$2.39 per share at writing. The stock has been on the downward trend for the better part of the past 10 months with little to show that it will bottom out.

Aurora came into the spotlight back in 2018 after it showed signs of [aggressive growth](#). Highlights of that year included the acquisition of CanniMed for \$1.1 billion and a \$2.5 billion takeover of MedReleaf. When they took place, these were both the most significant acquisitions in the burgeoning cannabis sector. Aurora Cannabis effectively went from being one of the mid-level cannabis companies to being a leader in the legal pot industry, challenging the likes of **Canopy Growth Corp**.

In the space of two years, we've seen the price of Aurora climb from \$3 per share to \$13 and then fall below \$3 per share. Of course, the entire industry took a hit when the rollout of cannabis legalization failed to create a sustainable rally. Aurora's acquisitions led to dilution for existing shareholders. Several massive construction projects also affected the company's balance sheet, and dilution continues to be an issue.

Signs of hope

With the company's stock at its 52-week low, the departure of Cam Bartley from the company in December is a further disappointing development for Aurora, but there might be hope. The domestic market for Aurora's products continues to stall despite the rollout of Cannabis 2.0, but the German and Colombian markets are making significant contributions to export revenues for the company.

The company also reported one of its best adjusted gross margins during its last fiscal quarter in September at 58%. The management showed declining costs of the production of cannabis, and its operations are slowly moving toward profitability.

The company also has a small but robust portfolio of medical marijuana customers. The company has suspended its expansion programs, which could be considered too ambitious right now, saving \$190 million in cash flow.

With a growing international sales network spanning 25 countries, the company has the potential to generate respectable sales figures.

Foolish takeaway

While I will not bet that Aurora can hit its all-time high of above \$13 per share, I do think it has an excellent chance to see its stock rally in the next few months. Contrarian investors might want to take advantage of Aurora during its current weakness, but keep it to limited exposure at best.

CATEGORY

1. Cannabis Stocks
2. Dividend Stocks
3. 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. Dividend Stocks
3. Investing

Date

2025/08/25

Date Created

2020/01/14

Author

adamothonman

default watermark

default watermark