Aurora (TSX:ACB) Stock Has a Measly $1.30 Price Target for 2020

Description

It is no secret that 2019 was a horrible year for investors who put their faith in the legal marijuana industry. Cannabis stocks were decimated last year with massive sell-offs after disappointing performances across the board. Shares of the cannabis giant **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) have declined by more than 83% since March 2019.

Cannabis producers in Canada are struggling with the slow rollout of retail stores in major provinces. The stiff competition from illegal marijuana producers continues to destroy the legal industry's chances of making profits. The lower-than-expected sales have resulted in rising inventory levels for all cannabis producers and dwindling profit margins.

The **CannTrust** scandal and vaping scandals, along with regulatory issues, have driven the cannabis index on the Toronto Stock Exchange further into the ground. As cannabis continues to dwindle, people are looking at stocks like Aurora in light of the Cannabis 2.0 product rollout.

At this writing, Aurora Cannabis stock is trading at $2.22 per share. Where some investors might be feeling hopeful in anticipation of the Cannabis 2.0 products hitting retail markets, analysts expect the stock to go down further.

Recovering from 2019

The losses faced by cannabis companies have left much to recover from. Analysts do not expect Aurora to achieve positive cash flow from its operations until Q3 2021. Analysts expect ACB to have a cash deficit of $200 million to deal with until it reaches profitability.

The giant cannabis producer needs to deal with refinancing $360 million worth of debt, which is due in August 2021. Repaying that debt will still leave Aurora Cannabis with $800 million in debt to deal with and just $30 million in cash by Q2 of fiscal 2022. Its debt-to-earnings before EBITDA may also present a problem for the stock provided the analyst projection of a loss of $150 million.

Regulatory problems in Europe

Other than a messy balance sheet to sort out, Aurora's struggles might have increased. Sales for the company's products in international markets like Germany have been put on hold. The company is waiting for clearance on additional authorization related to the sterilization process it uses for its cannabis production.

Aurora's construction of large-capacity growing facilities in Canada was designed to facilitate international demand for marijuana products. The sales ACB expected have been slow to materialize. The German market presented the most expensive market and highest profit margins for the company's products. A suspension of sales in its most lucrative segment will cause a lot of problems for its projected goals.

Foolish takeaway

There is good news for the cannabis producer. Cannabis 2.0 legalized the sale of various forms of cannabis products from edibles to vaporizers. While sales of Cannabis 2.0 products might help Aurora get an edge over illegal producers due to higher profit margins, the sales are off to a slow start.

I think Aurora Cannabis might have a sliver of a chance beyond the point it starts turning a profit, but I would recommend being wary of the stock for now.

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