



Why Has Aurora Cannabis (TSX:ACB) Stock Gained 13% This Week?

Description

Shares of Canada's cannabis giant **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have gained 13% in the last two trading days. The stock rose 6.4% yesterday and was up by the same number on Monday as well. So what impacted Aurora Cannabis stock in the last two days?

On February 3, 2020, Aurora Cannabis announced that its Aurora facility in Bradford, Ontario has received an EU GMP (European Union Good Manufacturing Practice) certification. This certification is given to companies that demonstrate a high degree of production quality in their manufacturing process — a primary requirement for the export of medical cannabis products in Europe's growing market.

Aurora CEO Terry Booth stated, "The EU GMP certification of our River facility further validates our strategy focused on purpose-built facilities, designed and constructed exclusively for the production of high-quality, pharmaceutical grade cannabis."

The Aurora River facility has a cultivation capacity of 28,000 kg annually. It has 17 fully-planted climate-control rooms to cultivate cannabis. The EU GMP certification will help Aurora gain traction in the international markets.

The company now has received this certification for three of its 10 Canadian production facilities including Aurora Mountain and Aurora Bridge. Aurora Mountain has an annual production capacity of 4,800 kilograms, while this figure for Aurora Bridge stands at 7,000 kilograms.

In addition to this certification, investors were buoyed after Aurora also announced it has the required approvals from Germany's local regulators for the sale of medical cannabis products.

Aurora products were [temporarily suspended from sales](#) in Germany in late 2019, as the former was accused of using radiation facilities without the required permits. Germany is the largest medical marijuana market in Europe and is expected to drive Aurora sales higher in fiscal 2020.

What next for investors?

Aurora Cannabis stock has gained about 8% year to date. Despite the recent rally, however, shares are still trading 80% below the 52-week high. The structural challenges that have decimated cannabis stocks continue to impact retail sales in Canada.

The cannibalization from the illegal market coupled with slower-than-expected rollout of retail stores in major Canadian provinces will continue to put pressure on the company's top line in 2020.

Another reason for the sell-off in pot stocks in the weak fundamentals of most companies. Several marijuana manufacturers including Aurora Cannabis are struggling with mounting losses.

Though analysts expect Aurora's earnings to improve by 44.8% in fiscal 2020, its EBITDA for the current fiscal is forecast at -\$108 million. Aurora ended the September quarter with a debt of \$795.73 million and a cash balance of \$191.93 million. With an operating cash flow of -\$218 million, the company will look to raise additional capital sooner rather than later.

Aurora is still a domestic heavyweight and is second in terms of production capacity and sales. In terms of valuation, Aurora has a market cap to sales ratio of 8.73 and an enterprise value to sales ratio of 10.1.

Investors hope that the legalization of cannabis 2.0 products and the EU GMP certification will result in a turnaround of fortunes. Will Aurora's leadership position and its reasonable valuation drive the stock higher in 2020?

CATEGORY

1. Cannabis Stocks
2. 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. Investing

Date

2025/07/03

Date Created

2020/02/05

Author

araghunath

default watermark

default watermark