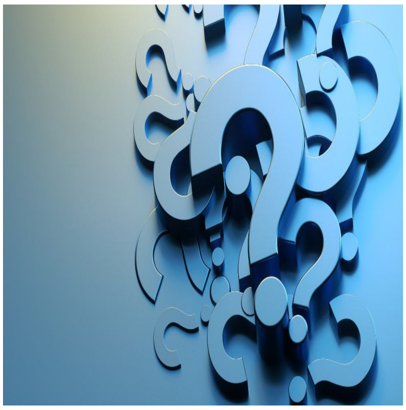

ACB (TSX:ACB) Stock: Should You Buy Aurora Cannabis Shares After the Latest News?

Description

The share price of **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) was halted on February 6 ahead of pending news from the company that came out later that day.

After markets closed, the marijuana producer announced significant changes in the C-Suite, launching a major restructuring designed to right the ship and get the business on the path to profitability.

CEO Terry Booth is leaving the company's leadership team, but will remain a director on the board. He led Aurora Cannabis through major acquisitions in recent years that included the takeovers of MedReleaf and CanniMed.

Aurora Cannabis is taking write-downs as high as $1 billion on goodwill, property, facilities, and equipment.

In addition, Aurora Cannabis is cutting about 500 positions, of which 25% will be at the corporate level. The move shouldn't come as a surprise to the market after Aurora Cannabis missed its own reduced revenue targets late last year.

The sudden departure of its chief corporate officer in December came after Aurora Cannabis announced in November that it would halt construction of its Aurora Nordic 2 site in Denmark and defer the completion of its Aurora sun site in Alberta in a bid to conserve cash amid weaker-than-expected sales.

In early January, Aurora Cannabis put one of its largest production facilities up for sale. The 164-acre site is located in Exeter, Ontario and was part of the $3.2 billion takeover of MedReleaf. Aurora Cannabis is trying to get $17 million for the location.

The stock tanked on that news, as investors saw the listing as a concern that cash is in short supply. The share price, which was above $13 in March 2019, hit a closing low of $2.15 on January 10.

It climbed back to as high as $2.83 earlier this week as bargain hunters took positions on hopes the recent launch of the Canadian edibles market would provide a boost to the industry.

At writing, Aurora Cannabis is down about 16% on the day at $2.23 per share and has now has a market capitalization of less than $2.5 billion.

Should you buy the dip?

There is no guarantee that the company will be able to turn things around fast enough — and new funding will be hard to find. Investors and lenders got burned last year after making big bets on the marijuana producers in anticipation of robust revenue growth after the launch of the recreational market in Canada.

The lack of physical store locations in Ontario is slowly being addressed, which should help cannabis companies boost sales of expanded product listings allowed under the new edibles rules.

However, a report from Statistics Canada in October said the price in the illicit market is still well below that of the legal channels. A gram of legal pot sold for an average of about $10 in Q3 2019 compared to about $6.60 from illegal dealers.

Health concerns connected to vaping products will hit revenue potential on one segment the pot producers had counted on for strong sales. Edibles and drinks could reverse pot producer fortunes in the medium term, but there is a risk that a number of players might not survive long enough to benefit.

A quick look at the Aurora Cannabis stock chart over the past year suggests that investors might want to stay on the sidelines. While there could be an opportunity for contrarian investors to make a quick profit on a bounce, buy-and-hold types should probably search for other opportunities.

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