The Big Aurora (TSX:ACB) Stock Price Gamble: Time to Sell?

Description

Once counted as one of the top three Canadian pot stocks — and for a while in pole position with **Canopy Growth** — **Aurora** (TSX:ACB)(NYSE:ACB) has quickly fallen off the map. And the situation is potentially about to get worse. To put it bluntly, if you still have this tanking stock in your TSX cannabis stock portfolio, the consensus is rapidly forming that it's time to sell around the $2 mark.

What went so wrong so quickly? Down 80% year on year, Aurora has become one of the worst-performing cannabis stocks on the TSX. However, the worst could be yet to come, with a $1 target. Casual cannabis investors who want to stay covered in this sector may therefore want to swap out Aurora for something a little more solid, such as Canopy Growth or **Aphria**, or even a lower-stakes play such as **Flowr**.

What's the latest for Aurora?

The news is still settling that Aurora posted a Q2 with fairly dire implications. In a nutshell, its near-term rating has to be somewhere between a hold and a sell, depending on one's level of bullishness. The CEO is out amid a billion-dollar write-down, a 500-deep staff cut, and a 31% revenue drop. High overheads, a devalued product, and a forecast lack of growth makes for a downsizing disappointment.

Given the lopsided manner in which the Canadian cannabis market is currently operating, Aurora is looking at several quarters of pain. Investors holding this stock may therefore want to cash in their chips anywhere near the $2 mark and consider snapping them back up at around $1 — penny stock territory.

Is the green gold rush a bust?

Horizons Marijuana Life Sciences ETF was flat for the week — a clearer indicator of the overall sentiment. Down 60% over the last 12 months, the ETF is indicative of where the legal marijuanasector went in 2019. The general reading is that the sector has bottomed, though a more bearish takeis that signs of overvaluation persist — in essence, Aurora could fall even further, so sell up.

Though there was a value-induced bounce Thursday through Friday, investors shouldn't expect it to last. The analyst consensus doesn't support buying shares in Aurora after its earnings miss. A few points compared with the +26% loss incurred on the markets in the last five days of trading is nothing significant. Indeed, long gone are the days of the green gold rush.

Cannabis is still a viable market, but it will take time to settle. Heading into the weekend with a positive note, Canopy is one of the few stocks that the casual Canadian cannabis investor may want to consider stashing in a portfolio with broad financial horizons. Canopy's claim to high U.S. growth could yet see long-term appreciation.

The bottom line

Given its alarming Q2, Aurora stock is a sell. Cannabis investors still looking to buy and hold for longer-term capital gains, though, may want to stay bullish on the green and spread an investment among Aphria and Canopy, with speculative side-bets on the high production of smaller outfits such as Flowr.

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Date
2025/08/23
Date Created

2020/02/15
Author
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