



Should Investors Buy, Sell, or Hold Aurora (TSX:ACB) Stock?

Description

There was a mini cannabis rally heading into the weekend, with popular stocks such as **Canopy Growth**, **Cronos Group**, **OrganiGram Holdings**, and **Aurora** ([TSX:ACB](#))(NYSE:ACB) up by single digits Friday. The Aurora bounce was deceptive, however, suggesting short- seller washout rather than a genuine rally. With a target price now at half of its current valuation, the consensus is that this is an overvalued “sell” at \$2 a share at writing.

Investors may not wish to buy even at \$1, however. Before even considering Aurora, even as a *de facto* penny stock, investors will need to see fast, creative downsizing.

The knife could still fall further for Aurora, and a bearish reading sees the stock unlikely to either bounce back or even benefit from being bought out, as a takeover is unlikely. While it's still overvalued, the consensus says “sell” for now and watch the market.

Investors who got burned by the optimism of the new sector but still want to pack some pot in a portfolio may want to wait for the bottom. Arguably, the market isn't there yet, though by some analyses it looks that way.

With so many impactful yet unknowable variables floating around – the eventual retail landscape not only in Canada, [but also in the U.S. —](#) the durability of the black and grey markets, the balance sheets of some of the biggest players – the bottom could be bankruptcy.

A second green gold rush?

While much of the steep gains of the sector have fizzled out, **Aphria** (TSX:APHA)(NYSE:APHA), with its European licences, key German exposure, encouraging sales track record, and the ability to bring down overheads, make for a stock on the mend.

While its overall performance was negative this week, it has by no means underperformed the worst offenders. Going forwards, Aphria is a [plausible contender for upside](#).

Momentum hasn't entirely left the cannabis space – it's just become increasingly event-driven and pessimistic. ETFs can offer an insight into how the sector is performing, but only the most optimistic of cannabis investors would try indexing this space.

As performance indicators, these kinds of pot funds have merit, but as a long-term thesis, the legal cannabis industry lacks the transparency or stability to support them as investments.

Indeed, while **Horizons Marijuana Life Sciences ETF**'s beta of 4.45 indicates high volatility — suggesting the kind of momentum a risk-taking trader might relish, individual stocks are still the best way for the more casual marijuana shareholder to cream upside here given that a single stock can weigh on the sector. Down 26% on average in the last five days of trading, Aurora is a prime example.

The bottom line

While cannabis bulls are still buying into the Aurora optimism, the stock doesn't even look like a viable play even at its target of \$1 dollar.

As taking a long view with cannabis could replace the heady momentum-fuelled, pre-legalization era, better plays than Aurora may be found in market leaders such as Aphria, with European sales of Canadian cannabis holding the fort and rewarding in the longer term.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

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
3. Stocks for Beginners

Date

2025/08/23

Date Created

2020/02/16
Author
vhetherington

default watermark

default watermark