



Will Aurora (TSX:ACB) Drop to ZERO or Skyrocket Into the Stratosphere?

Description

Last year was great for the Toronto stock market in general. The S&P/TSX Composite Index recorded its best year in the entire decade. While the overall Canadian Index was riding the highest since 2009, the Cannabis Index witnessed the carnage. After the bullish streak that started in 2016, cannabis stocks went on a downward spiral that has been more than just a regular market correction.

While every pot company has felt the heat of the cannabis bubble burst, **Aurora Cannabis** ([TSX:ACB](#)) (NYSE:ACB) has sustained that shock to the next level. The company started 2019 at \$7.09 and ended it at \$2.50 with a staggering value drop of 64%, which is 9% more than the collective decline of the Canadian Cannabis Index.

Aurora experienced a net loss of \$297 million in the past year, with a comprehensive loss exceeding \$350 million. In the wake of that abysmal performance, Aurora asked its chief corporate officer to step down in December. From that point onward, Aurora has started taking corrective measures to revive its business.

Will those measures help the company to take its stock to new heights, or will the price keep plummeting to zero? Let's try to find out.

Aurora's woes are less likely to end

Despite making heads roll and having extensive restructuring and layoff plans, Aurora Cannabis is still in a tight spot. The setback that Aurora faced in the European market in the last quarter of 2019 could continue to bite it this year.

In 2019, Germany banned the sales of all the medical [marijuana](#) products by Aurora upon finding out that the company was using radiation in some of its facilities without prior approval. This embargo is going to cost millions of dollars of revenue to Aurora. The entire radiation fiasco can also hold up its expansion plans in the rest of the European market.

Aurora stock might also struggle to find its feet in 2020, because the initial excitement and bullishness

about cannabis legalization has worn down. Many experts also think that cannabis companies can start a price war out of desperation to get an edge over each other.

Such a rat race can further trim down the cash inflow of Aurora and may cause the stock price to drop even below the 2016 values when it started picking up the steam.

Aurora stock can rise again

Despite the poor performance, Aurora stock is still one of the most traded pot stocks. Its staggeringly high P/E ratio also suggests that investors are still willing to funnel money in it. Many investors are banking on the dwindling regulatory obstacles in the hope that it might boost Aurora's business and stock.

For instance, Ontario has revised its regulatory policies regarding retail licensing. This means businesses can now open retail cannabis outlets without facing extensive bureaucratic red tape. The expansion of the retail scene is a good omen for Aurora. An excellent retail growth can give a significant upward push to the price of Aurora stock.

With the commencement of the [Cannabis 2.0 market](#), Aurora's decision to venture into derivative products can also pay dividends. The company has decided to cut back its reliance on the overly saturated traditional cannabis market and wants to focus on derivative products that don't face fierce competition from the black market either.

Conclusion

2020 can be a decisive year for Aurora Cannabis with regards to its stock performance. The above analysis establishes that it could go either way for Aurora. As an investor, you should exercise caution while investing in Aurora Cannabis, even if you are taking the contrarian approach.

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