



## Is Aurora (TSX:ACB) Doomed? Why 2020 Is a Make or Break Year for ACB Stock

### Description

After reporting its financial and operational results for Q2 fiscal 2020, is doomsday approaching for **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB)? The [erstwhile largest cannabis producer](#) fell short of consensus estimates again. As well, a week before presenting the quarterly reports, Aurora announced the retirement of the CEO.

The number of [red flags](#) is growing following a series of setbacks. Some market analysts are saying it would be incredibly difficult for Aurora not to fall off the cliff. Others still hope for a recovery. The year 2020 will indeed be a make or break year for this weed stock.

### CEO search

Aurora Cannabis is headless with the retirement of Terry Booth as CEO. If you recall, **Canopy Growth** was also without a leader for a time after firing company founder Bruce Linton as chief executive officer.

Aurora Executive Chairman Michael Singer will serve as interim head until a full-time captain is chosen to steer the ship. Apart from the retirement of Booth, the company is reducing full-time roles by terminating 500 staff.

With this painful move, management expects a significant decrease in quarterly selling, general, and administrative expenses. The goal is keep costs within the range of \$40 million to \$45 million.

### Financial crunch

The financial situation of Aurora Cannabis is precarious. A goodwill write-down related to the acquired assets from Denmark and South America will amount to \$775 million. But the financial crunch doesn't end there. The company's banking syndicate is cutting Aurora's credit facility by \$141.5 million.

While the creditor group removed the earnings ratio covenant, Aurora should at least maintain \$35 million in liquidity and deliver specific levels of profit starting Q1 fiscal 2021.

## Production leader no more

In 2019, Aurora was flaunting to investors its forecast of 625,000 kilos of run rate production output by June 30, 2020. It was pure bluster after all, and the company can't claim to be the leading cannabis producer anymore. Production in Q2 fiscal 2020 was only 30,691 kilograms.

In a press release, Aurora said it was continuing to refine cultivation techniques. Here's hoping that the company can achieve an average of 150,000 kilograms annually or better. The target is 76% lower than the earlier promised run-rate output to investors.

## Herculean task ahead

The outlook for Q3 fiscal 2020 is bleak. Aurora Cannabis expects little growth relative to the previous quarter's cannabis revenue. The forecast is gross revenue of \$65 million, 2.4% lower than \$66.6 million gross sales for the past quarter. Once again, a quarterly loss is imminent.

Aurora needs to do the following: a) adjust pricing provisions to improve sales; b) sell more value-based cannabis with higher profit margins; c) grow international medical pot sales; d) increase revenue from ancillary services (counselling, testing, and hemp production); and e) hire a permanent CEO soonest.

Nearly all cannabis players are struggling. However, there's no more room for error in so far as Aurora Cannabis concerned. Its banking syndicate is giving the company up to the first quarter of 2021 to produce results.

We'll know by then if Aurora Canada is out of the tunnel or digging deeper.

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**Date**

2025/08/24

**Date Created**

2020/02/24

**Author**

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