



## Aurora (TSX:ACB) Has Sunk From a \$7.62 Billion Market Cap in 2019 to \$2.4 Billion Today

### Description

[Industry-wide carnage](#) instead of a boom in 2019 dealt a crushing blow to cannabis producers. The sector's acknowledged production leader in particular tanked at blinding speed and lost value as a result.

As of this writing, **Aurora Cannabis** ([TSX:ACB](#)) (NYSE:ACB) is trading at \$2.06 per share, and the market capitalization stands at only \$2.4 billion. In August 2019, Aurora was [a top-tier marijuana player](#), carrying a market cap of \$7.62 billion. A series of unfortunate events led to 68.5% (\$5.22 billion) drop to its current value.

### Tight pathway to profitability

At present, Aurora Cannabis is sinking deeper. The net loss of the Edmonton, Alberta-based company in Q2 fiscal 2020 ended December 31, 2019, was \$1.3 billion — \$1.18 per share. Goodwill and asset impairment charges amounted to \$775 million. The net loss in the year-earlier period was only \$182 million.

Aurora is far from attaining profitability, as the pathway is very tight. Its banking syndicate had to cut the company's \$360 million credit line by \$141.5 million, or 39.3%. There's a condition that Aurora should at least hit a level of positive earnings by Q1 fiscal 2021.

Last year, Aurora's chief corporate officer Cam Battley said that the company would realize substantial profits no sooner than June 30, 2021.

### Industry challenges

In fairness, Aurora is not the only cannabis producer facing difficulties. The Canadian industry is still lacking in retail locations. Consumer demand is also shifting, and bulk buying by provinces remains erratic. Aurora cited the volatile ordering patterns by the buyers of second-generation products such as

edibles, beverages, and vapes.

Leadership changes and workforce retrenchment are occurring inside Aurora. The company is without a head following the announced retirement of Chief Executive Terry Booth. Michael Singer is the acting CEO, while the termination of 500 employees is part of the cost-saving measures.

## Call for patience

Interim CEO Michael Singer is asking investors to be patient. He said that Aurora Cannabis is still evolving with the weed market in Canada. Singer is reminding investors that the Canadian consumer market is only over one year old and needs time to develop.

But the company is extremely bullish on the long-term potential of the Canadian medical and consumer markets. The specific targets are the established international medical markets.

Many investors in the cannabis space are disillusioned, if not furious. Aurora Cannabis made promises that it was not able to deliver. No one is buying the sales pitch anymore.

## A valuable lesson to investors

The pressure on Aurora Cannabis is winning back the trust of investors. It has to make significant operational changes and show profits soon to rebuild trust.

Sadly, the task at hand appears daunting. The company needs to add more to its \$156 million in cash as of December 31, 2019, to continue operating. About \$345 million of convertible bonds are falling due on February 24, 2024.

The consolation from the plight of Aurora Cannabis is the valuable lesson it imparts to investors. A popular stock doesn't guarantee superior returns. This weed stock is a huge disappointment.

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