Aurora Stock Is Below $1: Time to Buy?

Description

There sure are a lot of opportunities out there for investors, especially those willing to take a bit of risk these days. After the market plummet about a month ago, it seems there is some signs of life. But one area still struggling are cannabis stocks.

Companies like **Aurora Cannabis Inc.** (TSX:ACB)(NYSE:ACB) are still trading well below fair value as of writing. So with such low share prices, should you be buying up Aurora stock?

Aurora stock sinks

Today's share price isn't the result of a huge drop, to be perfectly honest. Since April 2019, Aurora stock has been trading lower and lower, falling a whopping 92% in the last year to where it is now hovering around $1 per share.

With the market crash, the stock fell in half, and it's unclear when – or if – ACB stock has what it takes to get back to its glory days.

The main issue behind Aurora stock's fall from grace is the company's lack of a partner. While its peers have partnerships with major brands that can inject funds into the company when it's needed most, ACB stock has no such partner.

Management has said that it has no plans for a partnership that would mean it loses its ability to make company decisions. Instead, the company diluted shares, and shareholders weren't happy, to say the least.

Fast forward to today and Aurora could run out of cash relatively soon. In the most recent quarter, the company used up $100 million of its $250 million credit facility.

Further bad news came from the **New York Stock Exchange**, which stated the company needed to consolidate shares after the share price fell below US$1 for 30 consecutive trading days.

Up in smoke

Any future for this company could be gone if the market continues to bottom out. Until investors can be at least somewhat confident in both the markets and this company's performance, it's unlikely that investors will be willing to buy up Aurora stock.

Obviously, a big benefit would be if the company could convince a brand to make a partnership. But given its recent performance, that ship may have sailed.

What Aurora stock does have going for it is its cost and expansion. The company operates in more than 20 countries, and has by far the lowest production cost of its peers.

Analysts believe that while its medical marijuana production might shrink, the company's expanding recreational cannabis production should drive about 20% average annual growth through 2030. This comes as black market consumers turn to the legal market.

Then there's the global market, which should expand by leaps and bounds over the next decade. Aurora is already well ahead of its peers setting up in these countries, as there are a lot of strict regulations to enter markets.

If Aurora stock can stay afloat, this, coupled with the company's lower cost production should keep cash steadily coming in after the market rebounds.

Foolish takeaway

There are quite a few problems with ACB stock's future outlook. Lack of partnership is the most obvious, but Aurora stock's strengths right now could soon be its downfall. While it remains the lowest cost producer in the most countries for now, both of these strategies could soon be over.

Process-based cost advantages that aren't protected by a patent will eventually be replicated by competitors. And while it can take a while for cannabis companies to enter countries, it will happen eventually. This will leave Aurora behind.

What the company has going for it right now is how much it can produce, making it the second-largest producer in the cannabis industry.

While all of these issues may not be solved, it does leave Aurora stock as a prime stock for acquisition, which still leaves a $1 share price as a solid bet.

Either the company finds that longed for partnership, or another company eats it up. Either way, your share price is sure to jump.

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Author
alegatewolfe