



Aurora Stock: Will it Gain Big or Go Bust in 2020?

Description

Cannabis stocks have burnt significant investor wealth in the last year. Giants such as **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have lost massive market value. Aurora stock is currently trading at \$1.02, which is 93% below record highs. The euphoria surrounding cannabis legalization that drove investor optimism and stocks higher in late 2018 seems a distant dream.

The ongoing COVID-19 pandemic has further pressurized this sector. Several companies, including Aurora Cannabis, are still grappling with mounting losses. Lower consumer demand will wreak havoc on company financials in the coming months.

Aurora Cannabis remains one of the most-held stocks on Robinhood — an investment platform targeted at millennials. Aurora stock crushed equity markets, as its price rallied from \$0.40 in May 2015 to \$13.7 in October 2018. It gained a staggering 3,200% in just over three years. But a majority of these gains have been wiped out since. In the last five years, Aurora stock is up 155%.

Let's take a look at see if Aurora stock is a good buy at the current price. Will it roar back to life in 2020 or continue to disappoint investors?

Aurora Cannabis is burning through cash

One of the major concerns for investors is the precarious cash position of Aurora Cannabis. The company has continued to raise capital to keep running operations over the years. Since 2014, its share count has risen from 16 million to 1.17 billion, according to data from Yahoo! Finance. The company's board of directors approved another US\$350 million in a share offering last month.

Over the years, Aurora Cannabis has acquired several companies at sky-high valuations. Back then, the company would have bet on the rapidly expanding cannabis market in Canada to create demand. However, pot companies have been impacted by structural issues and lower-than-expected demand.

Aurora Cannabis's goodwill impairment figure in the fiscal second quarter of 2020 stood at \$762 million. Its goodwill currently stands at \$2.41 billion [and accounts for](#) 52% of total assets. It has a

market cap of \$1.33 billion. While goodwill writedowns will concern investors, Aurora's rising inventory levels will impact financials this year.

Aurora Cannabis is also facing liquidity issues. At the end of 2019, its estimated short-term liabilities stood at \$374 million. It ended last year with a cash balance of just over \$200 million.

Is the end near for Aurora stock?

Aurora Cannabis is still one of the major marijuana producers in the world. It can grow close to 700,000 kg at peak production capacity and has wholesale supply agreements in 24 international markets.

To continue listing on the New York Stock Exchange, the company will shortly enact a 1-for-12 reverse stock split this month. While a higher Aurora stock price will keep it on the NYSE, the company is losing ground in terms of its weak fundamentals.

There are just too many questions for investors right now. The company's lack of capital and liquidity coupled with the [ongoing uncertainty](#) surrounding COVID-19 and the slow rollout of retail stores in Canada's major provinces mean Aurora Cannabis stock might move lower in the next few months.

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araghunath

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