



Is Aurora Cannabis (TSX:ACB) Poised for a Stunning Rebound?

Description

It's been a rough few years for Canada's cannabis sector. A lack of a recognizable brand, oversupply of dried marijuana, supply chain issues, and boardroom scandals have destroyed billions in market value across the sector. Edmonton-based **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) has suffered more than most. Now, it could be on the verge of a rebound.

Cannabis outlook

Many of the cannabis sector's biggest issues seem to have been resolved. Shareholders have pushed out early founders and restructured management teams to provide better oversight. Meanwhile, the price for legal recreational marijuana has dipped and is much closer to the black market price per ounce.

The sudden spike in demand for cannabis in recent months has helped clear much of the oversupply. Cannabis use jumped [19% from February 2020 to March 2020](#) alone. Adult users turned to the drug, as the economy shut down and everyone was confined to their homes.

Now, this usage could accelerate with the roll out of Cannabis 2.0 products. Edible candy and cannabis-infused drinks open up market opportunities on several new fronts. These products are easier to consume and could encourage non-smokers to adopt the hobby.

It's the perfect tailwind for companies like Aurora Cannabis to regain lost ground.

Aurora Cannabis stock

Once an industry titan, Aurora Cannabis has lost roughly 90% of its market value since March, 2019. That's over \$15 billion in shareholder wealth destruction in less than two years.

However, the current stock price looks oversold. Consider the fact that the company's book value per share is \$35.8, while the stock price is languishing at \$13.7. In other words, the stock is just 38% of book value.

Also consider that Aurora's debt-to-equity ratio is just 15.2%, and its cash pile is \$242 million. In other words, it's in good financial shape to survive for several years till it regains ground. Meanwhile, the team is using this cash to expand further. With the recent acquisition of Reliva, Aurora Cannabis seems to have entered the U.S. market.

Aurora's existing brands, including Aurora Drift and Aurora Aces, are starting to gain traction with consumers.

If the team can successfully turn things around and sustain this steady pace of growth, the stock could rapidly rebound to *at least* its book value. That implies 163% upside from the current market price. Furthermore, the ongoing turmoil in the cannabis sector could eliminate some of the smallest and weakest players in the industry. This paves the way for potential survivors, like Aurora, to consolidate the market.

Bottom line

It's been a difficult few years for Canada's cannabis sector. Nearly every company in the industry has lost a substantial amount of market value in recent months.

Aurora Cannabis, along with the rest of the recreational and medical marijuana sector, has lost tremendous value. However, the cannabis trade is far from dead. Usage was substantially higher during the lockdown, and the company itself is in good financial shape.

Aurora's book value should represent fair value for the stock. If the stock rebounds to this level, some investors could be in for a 162% gain. That should be reason enough to place this stock on your radar.

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Date

2025/08/22

Date Created

2020/08/09

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