



Aurora Cannabis (TSX:ACB): The Perfect 5-Year Contrarian Bet?

Description

Don't look now, but **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) stock is starting to gain [attention](#) again, after months of fading into the background at the expense of pandemic-resilient momentum plays. Shares of ACB soared over 15% on Tuesday, the day before the company announced that its first-quarter revenues would fall below analyst expectations, causing the name to surrender all of the prior-day gains, and then some.

There's no question that the black market and the [COVID-19 pandemic](#) have weighed on the licensed producer that's been laying off staff and shuttering production facilities to better roll with the punches thrown its way by this pandemic. The COVID-19 crisis has been tough on firms with limited financial flexibility and significant cash bleed. Aurora Cannabis and its peers have not been spared, making a bad situation that much worse for a firm that seems to be experiencing the perfect storm of headwinds.

Aurora Cannabis: The hangover continues

Now that the cannabis bubble has burst, and with the weight of the pandemic, Aurora Cannabis remains a compelling option for value-focused growth investors who still want to invest in the long-term growth of the marijuana industry.

Shares of ACB have already lost around 95% of their value. While the stock could implode again to below a buck and change amid this crisis, I think Aurora looks undervalued, with massive five-year upside for those willing to buy the name and completely forget about it for the years, if not decades, at a time.

Ripping off the band-aid

Aurora Cannabis recently appointed Miguel Martin as its new CEO and has been lowering the bar on quarters ahead.

The company is essentially ripping the band-aid off in one go, and I think the odds of pole-vaulting over

now lowered expectations that much higher despite the profound headwinds. Not only has Aurora Cannabis stock fallen into severely oversold territory, but I think it's also ridiculously undervalued following lowered guidance induced in what's looking like a year to forget.

Aurora Cannabis stock: Deep value for long-term thinkers

At \$8 and change, Aurora stock trades at 0.2 times book value, which is a colossal discount. Sure, Aurora made mistakes, and the pandemic will continue to weigh on the results for some undisclosed amount of time.

The company overpaid for acquisitions in the past, with more than its fair share of stumbles when the cannabis market was in bubble territory. Still, with such a discount on shares, I believe all such mistakes should be forgiven. Indeed, it seems like everything that could go wrong went wrong. And with so many negatives baked into the stock, I don't think it will take much before the stock can reverse course.

After the worst hangover on record for Aurora Cannabis and its peers, I think the freshly lowered expectations are realistically beatable. And once Aurora can finally deliver a big beat, the stock will be back in the double digits.

Yes, there are still profound headwinds in the space, but in five years, I'd be willing to bet that Aurora Cannabis stock will be much higher than it is right now, potentially over \$50, which would make the name a potential five-bagger within five years.

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Date

2025/08/24

Date Created

2020/09/23

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