Sell Alert! Aurora Cannabis (TSX:ACB) Stock Just Crashed 30%

Description

Shares of marijuana giant **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) fell by a whopping 30% on September 23, a day after it posted its fiscal Q4 results. This decline wiped out the 15% gains on Tuesday, when Aurora Cannabis stock gained momentum, driven by an analyst upgrade and investor optimism of better-than-expected Q4 results.

Aurora Cannabis announced its fiscal fourth quarter of 2020 results ended in June and reported net sales of $72.1 million, a sequential decline of 5%. This was also lower than analyst revenue estimates of $79.6 million.

Earlier this month, Aurora Cannabis had warned investors the company would report a staggering $1.8 billion in goodwill impairment charges. In Q4, goodwill impairment charges stood at $1.6 billion.

However, investors were also disappointed by Aurora's forecast for the first quarter of 2020. The company expects cannabis sales between $60 million and $64 million in Q1, which indicates a sequential decline between 5.3% and 11.2%. A company struggling with profitability and negative growth is not something investors would want.

Aurora Cannabis has had two consecutive quarters of sequential declines. While its EBITDA loss of $34.6 million narrowed compared to a loss of $50.4 million in Q3, it seems unlikely the company will be profitable in the next six months, which was one of Aurora's key goals for fiscal 2021.

Aurora Cannabis has divested non-core assets to reduce cash burn and improve profit margins. This means most of the company's sales will be cannabis products, where it is experiencing massive competition.

Aurora's less-than-impressive results sent stocks of other pot companies lower as well. Shares of **Canopy Growth**, **OrganiGram**, **Charlotte's Web**, and **The Green Organic Dutchman** fell by 8.6%, 6.7%, 6.6%, and 6.2%, respectively, on Sept. 23.

What next for Aurora Cannabis investors?

Aurora Cannabis has been on a downward spiral for 18 months. The stock closed trading at $6.9, which is 96% below its record high. Aurora Cannabis went on an acquisition spree in the last few years and bought companies at steep valuations, which resulted in billion-dollar write-downs.

Further, the company's glaring unprofitability has meant it had to raise equity capital several times, which diluted shareholder wealth significantly. Aurora Cannabis has focused on streamlining operations and cutting costs to boost the bottom line, but its EBITDA loss in Q4 shows it still has a long way to go.

ACB ended Q4 with $162 million in cash compared with $230 million in Q3, which means another round of dilution is on the cards. It has already raised over $250 million this year in equity capital.

Aurora confirmed it is losing market share in the recreational cannabis market and is now looking to re-position itself in the Canadian consumer market by prioritizing premium brands and products which will also push profit margins higher.

The demand for Cannabis 2.0 products might also act as a tailwind and drive revenue growth higher in the upcoming quarter. However, the road ahead for investors will be bumpy and volatile, especially if Aurora continues to post tepid figures in Q1 and beyond.

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