



Aurora Cannabis (TSX:ACB) Stock Just Gained 41% on Hopes of a Joe Biden Win!

Description

Shares of marijuana heavyweight **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) surged higher by 41% on November 5 to close trading at \$8.2. The stock gained massive momentum as it looks likely former U.S. Vice President will win the Presidential race. Investors should also note that ACB stock slumped 10% the day before when it seemed Donald Trump would be re-elected.

During one of the pre-election debates, Senator Kamala Harris claimed that the Democrats will decriminalize marijuana at the federal level — one of the key drivers for pot stocks.

Further, if the Joe Biden government wins and legalizes recreational consumption investors can expect a strong rebound in Aurora Cannabis and peers. However, Biden first has to win the Presidential race and then have a majority in the Senate as well to be able to make major policy changes.

Canadian cannabis companies, including Aurora have been grappling with several structural issues and allowing them to enter the lucrative U.S. market that will give companies an expanding addressable market and a chance to drive revenue growth significantly higher.

That said, several Canadian players are competing in the U.S. hemp market. In early 2020, Aurora Cannabis acquired Reliva while Canopy Growth has gained significant traction after hemp was legalized in 2018. Tilray also acquired Manitoba Harvest last year but the marijuana market is still off-limits.

Recent legalization efforts provide hope to Aurora Cannabis and peers

On November 4, [four states south of the border](#) legalized marijuana for recreational use while another state legalized medical marijuana. Now medical marijuana is legal in 38 U.S. states while recreational marijuana is legal in 15 states.

Despite these legalization efforts, Aurora also [needs to improve its fundamentals](#) to keep investors interested. Despite the recent gains, ACB stock is down 95% below its record high. It has burnt massive wealth in the last two years primarily due to decelerating revenue growth and mounting losses.

Aurora Cannabis invested heavily in acquisitions and bought several companies at a premium in the last few years. However, this has also resulted in billion-dollar write-downs and an inflated book value. Aurora's international sales remain less than impressive and the slow rollout of retail stores in major Canadian cities has not helped either.

The upcoming results will give us an insight into the company's turnaround efforts. Aurora expects fiscal Q1 of 2021 revenue of \$64 million which is at the higher end of its guidance. However, this still represents a sequential decline of 5% compared to Q4 sales of \$67.5 million.

Due to its negative profit margins, ACB continues to burn cash at a rapid rate and has to keep raising equity capital which in turn dilutes shareholder wealth. In its latest filing, Aurora said it would sell up to US\$500 million in equity shares which is as much as its current market cap.

While Aurora Cannabis expects to reach a positive EBITDA by the end of the year, it's unlikely to reach this goal. Analysts tracking ACB stock have a 12-month average target price of \$9.33, which is 14% above its current trading price.

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Date

2025/08/22

Date Created

2020/11/06

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