Aurora (TSX:ACB) Stock Up an Insane 112% Since October 28

Description

The cannabis industry in Canada has been through a series of unfortunate events. Around marijuana legalization in the country, the industry created a lot of buzz in the stock market. Many investors thought (and hoped) that Cannabis companies like **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) would grow at a mighty pace and sought the early bird advantage.

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But as the industry matured and cannabis companies started to foray into both recreational and medicinal products, they and investors realized that it might take several more years for the industry to compete with the black market. Strict regulations and much red tape surrounding licenses only made things worse for most cannabis-related businesses.

As one of the largest players in the game, Aurora helped its investors make a lot of money. Between December 2014 and March 2019, the stock grew over 2800% — but it all started to go downhill from there. The situation of the industry can be blamed in part for Aurora's fall from grace, but the company made mistakes as well. It funded an aggressive acquisition strategy by brutally diluting its share. Good news from the company has been scarce until now.

A powerful spike

The pandemic, which has been devastating for several other industries, has been a boon for Cannabis. Many cannabis businesses saw sales grow during the pandemic. And for the first time since the temporary excitement caused by the second phase of legalization, that is, cannabis 2.0, where derivative products like beverages, vapes, and edibles were legalized, the industry showed some vitality.

Aurora's stock spiked about 190% in May, but the price dropped as soon as it rose. But more recently, another spike was seen. Between October 28 and November 9, the stock grew by almost 188% — a very lucrative window for people who bought Aurora when trading at a price of about $5 per share to sell this green stock and make a killing because the stock has started to drop again.

Right now, the stock is still an insane 112% higher from its lowest valuation last month, but it might not stay there very long, especially given its first-quarter results.

Unfavorable earnings results

Aurora recently announced its first-quarter results, which might have contributed to the stock's devaluation. The 14-day RSI indicates that the momentum is falling sharply from overbought to oversold. The company reported total net revenue of $67.8 million. That's lower than both the last quarter and the same quarter last year. It also reported a net loss of $107 million and an adjusted EBITDA of negative $57 million.

Aurora is expected to report positive EBITDA by next quarter, but the first-quarter results are not shedding a hopeful light on that prospect. But perhaps the worst news for investors is that the company is planning on offering even more shares, which will further dilute the already failing stock.

Foolish takeaway

Aurora was an outstanding stock if you bought it and got out at the right time. Right now, it's a risky bet. You can wait and buy into the company when it hits rock bottom once again and wait for another spike to realize substantial gains. But that spike would be tough to predict. The company's long-term prospects are even darker than the prospects of the Cannabis industry as a whole.

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Date
2025/08/22
Date Created
2020/11/18
Author

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