



## \$1,000 Invested in Aurora (TSX:ACB) Stock at the Start of 2020 Is Worth This Much Today

### Description

Cannabis stocks have taken investors on a roller-coaster ride in the last two years. Shares of **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and peers were trading at record highs when marijuana was legalized for recreational use in Canada back in October 2018.

However, the euphoria of legalization dampened soon enough after which investors realized that pot stocks were trading at a hefty premium. The sell-off which began in early 2019 has extended well into this year as well.

Prior to the pandemic Aurora Cannabis and its Canadian counterparts were impacted by a slew of structural issues that included a thriving black market, lower than expected sales, high inventory levels, widening losses, and overvalued acquisitions. The COVID-19 pandemic added fuel to the fire, which meant Aurora Cannabis stock is down 70% year-to-date after it fell 60% in 2019.

This means a \$1,000 investment in the marijuana giant at the start of 2020 would be worth just over \$3,000 today. So, should you book your losses or be hopeful of a turnaround in ACB's stock price?

### Aurora Cannabis is up 100% since November

Aurora stock has recovered [a part of its losses](#) since Joe Biden won the presidential race south of the border. Shares of ACB more than doubled in the last one and a half months as there is a good chance the Democrats will decriminalize marijuana for recreational use at the federal level. However, the legalization of recreational and medical use of cannabis might take a few more years.

Aurora Cannabis has a presence in the U.S. markets, especially after it acquired hemp company Reliva in early 2020. Hemp is legal at the federal level in the U.S. and this acquisition would help Aurora gain traction in the country.

Reliva's annual sales are estimated at \$10 million and it is among the two most popular CBD brands in

the U.S. with products available in over 20,000 retail stores. According to market experts, the retail CBD hemp market might touch US\$11.3 billion by end of 2024. Comparatively, the legal U.S. cannabis market is forecast to reach US\$35 billion by 2025.

## Focus on cost savings

While the lucrative opportunity in the U.S. will take a while to materialize, right now Aurora needs to focus on increasing profit margins. In the September quarter, the company burned through \$108.5 million, up from its cash burn figure of \$94.9 million in the prior-year period. The company had to issue equity capital totalling \$114.3 million in the quarter which diluted shareholder wealth.

In order to reduce costs, Aurora Cannabis has closed down production facilities and laid-off its workforce. It has reduced annual production capacity from 500,000 kilograms to 142,500 kilograms, which saved the company close to \$60 million in operating expenses last quarter.

Aurora just sold 16,000 kilos of [cannabis in fiscal Q1](#), compared to its total production of 46,874 kilos. It has a cash balance of \$151 million, but also has \$185 million in loans and \$322 million in convertible note liabilities.

In the last year, Aurora Cannabis has issued 32 million shares to keep operations running. This streak of dilutions should come to an end to gain investor confidence.

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- 2. Investing

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