# Aurora Cannabis (TSX:ACB) Stock Is a Volatile Mess You Should Avoid

## Description

**Aurora Cannabis** (TSX:ACB)(NYSE:ACB) stock has been an extremely messy, volatile ride for investors. As the *Koyfin* chart below shows, the stock has fluctuated dramatically and trended down over the last 12 months.




If you'd invested $10,000 in ACB shares at the start of the year, you'd have about $4,000 left today. That's not exactly an amazing return.

But when you see a stock go down that much, your natural inclination is to smell a bargain. Everybody knows that the best investors "buy the dip." Aurora is on a massive dip, so now is a good time to buy? Right?

Not quite. While Aurora Cannabis is indeed on a massive “dip,” the decline is justified. In fact, the stock may see more downside from here. As I’m going to show in this article, Aurora Cannabis faces ballooning expenses and massive losses. While the company is trying to cut costs, that actually comes with a major “risk” of its own. With nowhere good to go, this stock is simply too risky to buy at today’s prices.

## Massive losses

In recent quarters, Aurora Cannabis has been running massive losses — sometimes to the tune of $1 billion or more. For the *full year* 2020, the net loss was a whopping $3.3 billion. Of course, that wasn’t due to cash losses. Rather it was mostly because of impairment charges stemming from worthless acquisitions the company made in years prior. However, the net cash used in operations was $337,000 — so even in cash flow terms, the company ran huge losses in 2020.

The first quarter of fiscal 2021 was a bit better. In it, the company ran a $105 million net loss, a $42 million operating loss, and used $108 million in cash in operating activities. These are improved metrics compared to 2020’s worst quarters, but remember that 202o had a lot of non-cash charges. The net cash outflow from operations would actually be worse than 2020’s outflow if repeated for 2021’s next three quarters.



## Cost cutting comes with its own risks

It’s well known that Aurora Cannabis is embarking on extensive cost cutting. In the first quarter, expenses were cut almost in half from $120 million to $68 million. So, the company’s cost cutting is working. The problem is that revenue is going down along with it. In the first quarter, revenue came in at $73 million compared to $83 million a year before. So Aurora’s cost-cutting initiatives are taking a bite out of growth — as you’d expect.

## Foolish takeaway

So far this year, ACB stock has given investors a messy, volatile ride. In 2021, that looks set to continue. Running massive losses and seeing revenue decline, the company is still in a precarious position. Sure, Aurora’s cost cutting is proceeding in earnest. But when you look at the adverse effect that could have on growth, it’s not clear that it will save the company.

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