



Why I'd Steer Clear of Aurora Cannabis Right Now

Description

The cannabis market is hot now. Forget that, it's red-hot at the moment.

Cannabis plays have taken off, though not in sync as they previously have. It appears investors are starting to hand-pick names more than ever before. And unlike some of my other top cannabis picks, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) hasn't done as well as some of its peers in reaching for its 2019 highs.

Here's why I think that's the case, and why I'd recommend investors consider other cannabis names right now.

Lackluster earnings continue to disappoint stakeholders

Earnings haven't really been that important to cannabis plays in recent years. During the run-up in cannabis valuations in 2018 and 2019, revenue growth is all that mattered.

However, of late, investors appear to be more concerned with not only top-line growth. Revenue and earnings quality matters more than ever before.

Accordingly, finding cannabis stocks with a strong financial standing is more important than ever. And on this front, Aurora hasn't impressed investors.

The company recently posted earnings that missed the mark, as far as investors and analysts are concerned. The company's revenue of \$55 million was down 25% year over year. This comes amid a spike in cannabis sales domestically.

These numbers also greatly missed analyst expectations of \$69 million this past quarter. Accordingly, it appears investors are focusing on other cannabis plays, with a greater focus on U.S. MSOs with greater growth potential over the medium- to long-term.

The company did post an adjusted EBITDA of nearly \$24 million this past quarter. This was an

improvement over last year, albeit the company did post a wider-than-expected loss.

Aurora's 53% drop in recreational pot sales was disappointing to even the most bearish investors. Accordingly, it's hard to look on the bright side with this stock right now.

Bottom line

I think the rather bearish note analysts are taking with Aurora right now is warranted. Among the Canadian cannabis sector, I haven't been bullish on Aurora in the past. I view this company as a tertiary player in a sector with better options.

Accordingly, this is a stock I wouldn't touch right now.

I think there are much better options from a growth and fundamentals standpoint right now. And with fundamentals finally starting to matter, this is more important than ever for investors to consider.

Investors seeking growth in the cannabis space would be much better-served checking out other high-quality U.S. MSOs right now. My [top cannabis pick](#) today is **Curaleaf** for this reason.

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