



## Aurora (TSX:ACB) Stock Is Down \$15 From Its Peak in February: Buy Now?

### Description

Optimism among Canadian cannabis producers was high when Democrat Joe Biden won the U.S. presidency in November 2020. Three senators from the party promised legislation in early February 2021 that would end the federal prohibition on marijuana. Weed stocks rallied, including **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB).

From \$10.60 on December 31, 2020, the share price soared 126.04% to \$23.96 on February 10, 2021. However, the rally didn't sustain because there's no significant progress yet to remove marijuana from the federal schedule of controlled substances.

A federal marijuana legalization bill by Senate Majority Leader Chuck Schumer is going around Congress for review or comments by legislators. The cannabis market is estimated to be worth US\$70 billion by 2028. [Weed stocks](#) would benefit if the bill passed and enacted into law soon.

Since Aurora Cannabis is down \$15.20 (63.44%) from its February peak to \$8.76, now might be a good time to [initiate a position](#) before the stock explodes.

### Lucrative U.S. market

Currently, 18 states, two territories, and the District of Columbia have passed legislation to allow adult recreational use of cannabis. The National Conference of State Legislation also reports that 36 states and four territories have laws that permit the medical use of marijuana.

Marijuana sales in the U.S. alone are expected to reach \$24 billion this year. According to *Forbes*, the market value could be as high as US\$43 billion by 2025. Thus, the pressure mounts to make marijuana legal at the federal level.

### Far from the finish line

Senate Majority Leader Charles E. Schumer, a Democrat from New York, released draft legislation last

month that would legalize weed at the federal level. The draft legislation under contention is known as the *Cannabis Administration and Opportunity Act*. Senator Schumer released it in late July to jumpstart discussions in the U.S. Senate. The poll results by the Pew Research Center reveal that about 60% of Americans support legalizing marijuana for recreational and medical use.

However, enactment is far from the finish line as bill proponents need to perform a balancing in the next several months. Cannabis reform advocates believe that once the bill is approved, it will solve the banking, taxation, and transport problems of marijuana producers and retailers. Assuming the bill gets approved, American and Canadian cannabis producers will fight it out for market share.

## A decline in net revenue

While the balance sheet of Aurora Cannabis remains strong (\$525 million in cash as of May 13, 2021), its total cannabis net revenue declined in the most recent quarter. In Q3 fiscal 2021 (quarter ended March 31, 2021), management reported a 20.8% drop versus Q3 fiscal 2020.

Nonetheless, Aurora plans to accelerate and realize \$60 million to \$80 million in annualized cost efficiencies over the next 12 to 18 months. The \$1.73 billion cannabis producer made a listing transfer from the **NYSE** to **NASDAQ** on May 24, 2021. Its CEO Miguel Martin said the move represents a good fit. It will enable Aurora to realize cost efficiencies and deliver long-term shareholder value.

## Weed stocks' performance

Aurora Cannabis (-17.36%) isn't the only top industry player with a [dismal stock performance](#) year-to-date. **Canopy Growth** (-24.55%) and **Tilray** (-5.89% quarter-to-date) are in the same boat. Only **Hexo** (+6%) is in the positive territory, while smaller cannabis producer **OrganiGram Holdings** (+92.31%) is the sector's high flyer.

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