



ACB Stock: What Can Investors Expect From Aurora Cannabis in the June Quarter?

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) was expected to release its fiscal fourth-quarter 2021 results (ended in June) today after the markets close, but it has rescheduled its earnings release for September 27. Shares of the troubled marijuana producer are already down 20% year to date. ACB stock is, in fact, trading 95% below its record high, significantly burning investor wealth in the last three years.

A lot will depend on Aurora's upcoming results given the underlying volatility surrounding equity markets and the company's record of disappointing investors. Let's see what Wall Street expects from this beaten-down stock in Q4.

Aurora Cannabis revenue forecast to fall by 18%

Analysts tracking Aurora Cannabis stock expect its sales to fall by 17.9% year over year to \$59.2 million. In the fiscal Q3 of 2021, the company's sales were down 25% at \$55 million.

Canada's pot market generated \$3818.7 million in total sales in June, which is a monthly record and 1.7% higher than the sales in May 2021. If Aurora Cannabis continues to lose market share in Canada, its actual revenue might be significantly lower than estimates.

The pot giant had earlier disclosed its plan to lower its portfolio of recreational cannabis products to focus on the high-margin medical marijuana segment. Further, investors should note that several Canadian provinces, including Ontario, were still in a lockdown during Q4, which might negatively impact Aurora's top line.

The bottom line remains under pressure

One of the primary reasons for the underperformance of ACB stock is the company's widening losses and high cash burn. Due to its negative profit margins, Aurora Cannabis has raised equity capital

several times in the last few years, [diluting shareholder wealth](#) at an accelerated pace.

Aurora Cannabis has tried to lower expenses by shutting down manufacturing hubs and reducing employee strength to shore up its bottom line and inch closer to profitability. The company's management had initially expected to report an adjusted EBITDA last September but has failed to deliver on its promises.

In fact, Aurora Cannabis is nowhere close to profitability, as it reported an EBITDA loss of \$24 million in Q3. While the loss was 50% narrower compared to its prior-year period, investors should understand that Aurora also experienced a double-digit decline in revenue. So, its lower expenses can be attributed to revenue decline rather than economies of scale.

In Q4, ACB stock is forecast to report a loss per share of \$0.27. During its last earnings call, the management team claimed they can lower costs between \$60 million and \$80 million in the next six quarters.

Should investors expect writedowns from Aurora Cannabis?

Several cannabis companies have reported writedowns in the past due to a change in the valuation of a particular acquisition. The writedowns, which are non-cash expenses, can also be due to a change in the value of inventory or a decline in product quality. In fiscal 2020, Aurora Cannabis [reported a goodwill writedown](#) of \$1.8 billion, indicating that the company overpaid for multiple acquisitions in the past.

What's next for ACB stock?

Shares of Aurora Cannabis could stage a turnaround, especially if the company shows its making progress towards improving its profit margins. But there is a good chance that ACB stock will trade lower after releasing earnings next week.

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