



Why Aurora Cannabis (TSX:ACB) Is Defying Gravity Today

Description

What happened?

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) stock price popped by nearly 7% to \$8.65 per share today, despite the broader market weakness. By comparison, the **TSX Composite Index** was trading with 1.5% losses for the day due to a [sharp selloff](#) across sectors — especially in the tech sector. Interestingly, Aurora Cannabis announced its much worse-than-expected Q4 earnings yesterday.

Let's find out what could be helping ACB stock defy gravity today, despite its dismal quarterly results.

So what?

Aurora Cannabis is a well-known Canadian cannabis company that primarily focuses on medical cannabis products. It currently has a market cap of about \$1.6 billion. In the June quarter, its adjusted total revenue fell by nearly 20% YoY (year over year) to \$54.8 million — missing analysts' expectations of \$56.3 million by a narrow margin. The company attributed its weaker revenue to lower consumer cannabis demand amid COVID-19-driven lockdown restrictions during the quarter. On the positive side, continued growth in Aurora's international medical business boosted its medical segment revenue by about 9% YoY.

During its Q4 earnings conference call, Aurora Cannabis CEO Miguel Martin [made](#) positive comments about the EBITDA profitability. He indicated that the company could reach EBITDA profitability by the first half of the next fiscal year, even if its revenues don't grow from its Q4 2021 levels. His positive comment could be responsible for boosting investors' confidence and driving ACB stock higher today.

Now what?

Earlier today, analysts at MKM Partners upgraded their rating on Aurora Cannabis stock to "neutral" from "sell" and raised its fair value from \$6 per share to \$7 per share. This upgrade could be another

reason why ACB stock price rallied by nearly 7% Tuesday.

While I don't doubt Aurora's EBITDA profitability prospects, its gross contracting gross margin amid declining consumer cannabis demand could be a reason of concern. That's why I would recommend long-term investors to keep an eye on its demand and financial growth in the coming quarters before buying its stock.

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