



Aurora Cannabis (TSX:ACB): Sell or Hold After the 45% Drop in Sales?

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) recently announced its fourth-quarter results. While the results are a bit dismal, the company is confident that it's on the right track, especially when it comes to cost-saving, which has been the spearhead of the company's financial policy for a while now.

The most bitter pill to swallow from the earnings report was the 45% drop in the [consumer cannabis](#) net revenue. The company chalked up the lower demand to the pandemic, which is debatable at best.

But there is no question about the company's cost-cutting orientation. Aurora Cannabis has taken several aggressive steps toward minimizing its operational costs.

Cost-cutting

Aurora is closing down several of its facilities and reducing its staff. The company stated that about 8% of its workforce would be affected by a single shutdown: the Aurora Polaris facility. It's among one of the many shutdowns that have either already occurred or are scheduled to do so.

The cost-cutting, while quite effective in pushing down the loss margin, is also akin to the company clamping down some of its growth prospects. And not all analysts who have their eyes trained on the cannabis sector and are speculating about this once massive giant believe that the company is moving in the right direction.

As per one analyst, the company has dropped the ball on EBDITA expectation for *all* the 17 quarters of reported financials. Also, the company might not have a very bright future in the recreational marijuana industry, and the medical marijuana revenues are growing but at a very slow pace.

Sell or hold?

Aurora's financials present a dismal picture, and the current quarter is just one more stroke. The revenues have been declining for several consecutive quarters now, and even though the company

was profitable for [this quarter](#), the earnings are not nearly high enough to spell growth.

One good news is that the company is not as heavily in debt as it used to be and has enough cash and short-term investments to offset the debt. But even if its financials are not weighed down, without an active market and a demand spike, especially in medical marijuana, which is Aurora's forte, the company might not see financials rising at a powerful enough pace to attract investor attention.

Unfortunately, selling the stock now, especially if you bought when the price tag was in the double or triple digits, would be a waste. So, holding on to the stock and waiting for a surge (along with the rest of the sector, whenever it happens) to sell at a relatively lower loss might be a smart idea.

Foolish takeaway

If you are wondering whether Aurora Cannabis is worth buying, the answer is not quite as simple. At its current price, even a small spike can send the stock up quite a bit. Between September 2020 and February 2021, the stock grew about 286%. And the chances of another such spike, especially if the U.S. federal government legalizes marijuana, are quite decent. So buying ACB during marijuana's [bear market](#) might not be such a bad idea.

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