



Why Aurora (TSX:ACB) Stock Fell 4% on Wednesday

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) saw shares drop 4% on Wednesday after an earnings release that missed analyst estimates. However, not all is lost for Aurora stock. Let's see what's going on with this cannabis company.

What happened?

Aurora stock announced an earnings loss of \$11.9 million for its most recent quarter, stating it would continue with the strategy of focusing on premium products. Rather than chase the lower profit margins that the company has in the past, and where others focus, Aurora stock sees the premium business as "rational," though investors are "in for a little bit of a more rocky road."

The company managed to beat [earnings](#) estimates, coming in at a loss of \$0.06 per share. This is far higher than the loss of \$0.21 EPS expected by analysts and the loss of \$0.85 per share from the same quarter last year.

However, Aurora stock came below revenue estimates, reaching \$60.1 million for the quarter, down from \$67.6 million the year before.

So what?

The drop in the share price of Aurora stock wasn't that much, and it's clear why. While the short-term "rocky road" predicted by management isn't great, in the long term, this could be what Aurora stock needs — especially as it recently acquired Growery to start selling recreational cannabis in Dutch coffee shops in a four-year experiment.

Analysts also started to raise their target for the company. Aurora stock received a boost to \$10 from one analyst shortly after earnings, providing a potential upside of 11% over the next year.

Now what?

Aurora stock may start to go in a positive direction, with at least some kind of clear focus after so many losses. In fact, it was the first time in quite a while that the company managed to beat out EPS estimates, so that's definitely positive.

But should you buy? That's the real question. I would hold off for now. Aurora stock didn't plummet, sure, but it didn't soar either. And management doesn't seem too confident in the immediate future of the company. That being said, management has certainly improved items like cash burn, dropping from \$142.8 million last year to \$16.55 million this quarter. With \$424.3 million in cash and cash equivalents on the [books](#), it's certainly healthier than it was.

Aurora stock continues to dominate the medical marijuana field, but it still has to prove itself in the recreational sector. While premium is a dream for now, it could be the boost the company needs for future investors.

Shares were down 4% Wednesday morning.

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Date

2025/09/08

Date Created

2021/11/10

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