



1 Canadian Cannabis Stock to Watch in December

Description

Among the sectors investors have gone to for sky-high [growth](#) in recent years has been the cannabis sector. However, picking a top cannabis stock that's sure to outperform has been a difficult task.

That's because the entire sector continues to be hit hard. Valuations took off in an unnatural and perhaps irrational fashion following the legalization of marijuana in Canada. A more recent surge tied to speculation around U.S. legalization has caused another spike and another selloff in the cannabis sector.

However, there is one cannabis stock I've got my eye on right now. **Aurora Cannabis** ([TSX:ACB](#))([NYSE:ACB](#)) is one of the stocks that's been absolutely pummeled of late. Now trading [near its 52-week low](#), perhaps there's some value to be had here.

Let's dive into what the bull case could be for Aurora Cannabis right now.

Aurora is acquiring a stake in Growery B.V.

Recently, Aurora Cannabis announced that it has entered an agreement with Netherlands-based Growery B.V. This company holds a licence to take part in the country's regulated experiment with regard to the marijuana supply chain. Aurora has not revealed the investment amount yet.

Through this experiment, the Netherlands government aims to figure out how it is legally possible to supply cannabis to cafes and what its effects are going to be. As per Aurora, this deal is structured with the intention to invest a cash amount that is immaterial. A portion of the investment amount will be payable upfront. That said, the remaining amount will depend on whether Growery is able to achieve specific milestones.

Aurora Cannabis will provide Growery with financial assistance in the form of a secured loan. The purpose of this credit is to help Growery to build a facility and finance the expenses related to early operations. Moreover, this loan aims to provide technical as well as operational assistance to the company via a research facility that's based in the Netherlands.

According to Aurora's CEO, Miguel Martin, the Netherlands will be the company's largest market outside Canada.

There's room for optimism

When cannabis organizations speak regarding profitability, they refer to adjusted EBITDA. This is what remains after a company makes adjustments for non-recurring costs that are related to integration and non-cash expenditures. Indeed, these metrics are somewhat discretionary and do not adhere to the GAAP. Accordingly, there's scope for subjectivity.

Aurora is one cannabis stock that has the ability to become profitable in the future. The company's adjusted EBITDA came in at a loss of \$19.3 million this past quarter. While still a significant loss, this number has been improving. A year ago, this number stood at more than \$33 million.

So, Aurora is moving in the right direction. Investors looking at this cannabis stock will note various margin-enhancing initiatives undertaken by the company. Aurora is cutting costs aggressively, and downsizing/scaling back operations where prudent.

Bottom line

I should note, I remain bearish on the outlook for the cannabis sector over the near to medium term. However, there's certainly the argument that can be made that this cannabis stock, or a select few, may outperform. I'm not closing my mind to that idea.

However, timing what looks like the bottom has proven to be a difficult, if not impossible, task. Accordingly, those looking for a top cannabis stock to add may want to do so in a gradual fashion over a longer period of time.

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