



\$1,000 Invested in Aurora Cannabis Stock at the Start of 2022 Would Be Worth This Much Today

Description

Aurora Cannabis ([TSX:ACB](#)) was once among the most promising [cannabis stocks](#) on the [TSX](#). Canada had just legalized marijuana for recreational use in October 2018, allowing Aurora Cannabis stock to trade at \$164.5 a week before legalization compared to just \$0.60 in January 2014.

So, between early 2014 and October 2018, ACB stock surged by a staggering 27,000%, creating massive wealth for investors. But it has since been an extremely painful ride for shareholders of the cannabis company.

Right now, ACB stock is trading 98% below all-time highs and has declined 75% year to date. So, an investment of \$1,000 in Aurora Cannabis stock at the start of 2022 would be worth less than \$250 today.

Canada's cannabis sector is broken

Soon after Canada legalized cannabis, several licensed producers, including Aurora Cannabis, ramped up production efforts at an accelerated pace. Most marijuana producers overestimated demand and went on an acquisition spree to gain market share, even paying a hefty premium to acquire smaller players.

Two years back, Aurora Cannabis reported a billion-dollar goodwill impairment charge in a single quarter, showcasing it grossly overpaid to drive inorganic growth.

But tepid demand also resulted in higher inventory levels. In order to sell the excess inventory, products were offered at a discount, negatively impacting profit margins. Additionally, marijuana producers have to wrestle with illegal sales that accounted for more than 40% of cannabis sales in 2019.

In the last few years, Aurora Cannabis has raised equity capital several times to infuse capital and offset its cash burn, diluting shareholder wealth in the process. Its outstanding shares have increased

to almost 200 million in 2022, up from just 1.3 million in 2014.

Aurora Cannabis has closed production facilities, halted construction on a few others, and even sold off fixed assets to lower expenses. But it continues to disappoint investors and is forecast to report a loss per share of \$0.32 in fiscal 2023.

What's next for ACB stock and investors?

Last month Aurora Cannabis reported year-end results for fiscal 2022 (ended in June). Its net revenue stood at \$50.2 million in the June quarter, a decline of 8% year over year. In the last 12 months, Aurora Cannabis has shifted its focus on the higher-margin medical marijuana segment to improve the bottom line. But medical marijuana sales were up just 4% in the fiscal fourth quarter (Q4) of 2022.

It reported an adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) loss of \$12.9 million compared to a loss of \$21.8 million in the year-ago quarter. However, its losses were higher than the \$11.4 million reported in fiscal Q3.

Analysts tracking Aurora Cannabis expect sales to decline by 3% to \$214.63 million in fiscal 2023, as the company continues to narrow its portfolio of recreational cannabis products. While Aurora Cannabis's management team expects to report an adjusted positive EBITDA in fiscal 2023, it has failed to deliver on similar promises several times in the past.

ACB stock is valued at more than two times forward sales, which is still quite steep for a loss-making entity with a weak balance sheet and a history of disappointing investors.

Despite the massive pullback in Aurora Cannabis stock, it remains a high-risk bet for long-term investors.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Cannabis Stocks
2. Investing

Date

2025/08/12

Date Created

2022/10/05

Author

araghunath

default watermark

default watermark