



At What Price Does Aurora Cannabis (TSX:ACB) Stock Become a Bargain?

Description

Aurora Cannabis Inc ([TSX:ACB](#))(NYSE:ACB) shares have lost more than half their value since the beginning of the second quarter.

But to be fair, that doesn't make the company's current situation a whole lot worse – or different for that matter – from so many of Canada's other licensed recreational producers who have seen their shares plummet rather quickly since around October of last year when pot officially became legal for recreational purposes.

But what does make ACB different from the rest of the pack is, frankly speaking, the degree of aggressiveness that its management has taken upon itself as the race to scale plays out.

Arguably more than another other licensed producer, ACB has been the most assertive in pursuing strategic investments in companies other than itself.

Those investments include more than 16 acquisitions in addition to more than 10 outside investments, no the least of which included the company's 25% stake in **Alcanna Inc** (TSX:CLIQ) a leading alcohol distributor (and now cannabis retailer) serving Canada's western markets.

As well, the company has ambitious plans to build a 1.6 million square foot production facility in Medicine Hat, Alberta (expected to come online in mid-2020) and another planned one million square foot facility located in Denmark, putting itself that much closer to what remain mostly untapped European markets.

It's obvious that the company has grand plans for itself as a leading player in the international market for cannabis, part of the reason it situated its Aurora Sky facility (capable of producing more than 100,000 kilograms annually, and already under full operation) in such a close proximity to the Edmonton international airport.

While I applaud management's confidence, what happens if things don't work out exactly as planned?

Less than one year into legalization, [sales have yet to materialize](#), with the company reporting just \$98

million in revenues for the quarter ended June.

As well, those sales of less than \$100 million helped to *generate* for ACB and its shareholders \$50 million in operating losses, \$193 million in net losses, and a \$205 million one-quarter cash burn.

That's not exactly going to help inspire investor confidence over the near-term or at least until those investors have good reason to believe things are about to start changing for the better.

Meanwhile, less than \$500 of reported clean book value (after backing out goodwill and intangibles) means those investors can't exactly expect to get much support out of ACB's balance sheet position either.

Foolish bottom line

Back in late 2017, ACB stock was consistently trading in the \$2-\$3 range per share.

I remember thinking that the ACB shares could represent a real bargain for those willing and able to speculate on the opportunity for legal cannabis, and could even fetch as much as \$10 per share, representing a close to 300% gain.

I didn't end up buying any stock in ACB, opting for purchases in both **Canopy Growth Corp** and **Aphria Inc** instead.

But as crazy as this sounds, two years later, my perspective on Aurora Cannabis stock hasn't really changed very much at all.

Should ACB stock happen to fall back down to the \$2 or even \$3 mark I may get [\(very\) interested in this company](#) again as a prospective investment opportunity.

But until that happens, my concern with ACB — and the cannabis sector as a whole — remains that despite all the current talk of grandeur and expectations on still yet to be delivered promises, that this is the type of prospective opportunity that runs the risk of ending up as real as smoke billowing in the air.

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