

Canopy Growth Corp. vs. Aurora Cannabis Inc.: Which Stock Is Better Positioned to Soar Once Legalization Day Arrives?

Description

Canopy Growth Corp. ([TSX:WEED](#)) and **Aurora Cannabis Inc.** ([TSX:ACB](#)) are two of Canada's premier cannabis producers, and arguably the two top picks for investors who are interested in getting some exposure to the rapidly emerging Canadian cannabis scene.

A word of warning if you're new to cannabis investing: the volatility is off the charts, and it's probably unlike anything you've ever owned in your portfolio, unless you've dabbled with speculative penny stocks in the past.

But unlike anything you've seen in the past, cannabis stocks can produce triple-digit growth numbers and massive returns, which could turn many investors into marijuana millionaires as the market grows and the real dominant businesses separate themselves from the competition with their durable competitive advantages.

Let's take a closer look at Canopy and Aurora to see which, if any, is a better choice for your portfolio.

Canopy Growth Corp.

Canopy has been making an extremely strong case for being the world's number one marijuana business. The company has formed relationships with partners across the globe without venturing into the U.S., which appears to be off limits (Sorry **Aphria Inc.**!), at least for now.

In addition, Canopy has the brands that could capture a vast majority of market share in the future, once regulators become more flexible with their rules on branding and distribution.

Branding matters. Period. And if you're looking for the future Marlboro of cannabis, Canopy is definitely a must-own, even though the cannabis industry is in the infancy stages, and branding may not make a significant impact over the first few years.

Canopy has also expressed interest in digital marijuana sales through its online platform, which may not be put to its full potential until regulators give Canopy the green light for online sales.

On the production end, Canopy recently announced its plans to expand production capacity by about three million ounces in British Columbia, which means the company is aggressively pushing to get as big a chunk of the pot pie as possible while cannabis demand trumps supply.

Aurora Cannabis Inc.

Aurora Cannabis is a more efficient producer than Canopy on a cost-per-gram basis, which I believe will make a much bigger difference in the nearer term than Canopy's longer-term initiatives.

Although Aurora is a more efficient producer, its production capacity will lag that of Canopy's until the

Aurora Sky project completes next year at around the same time that legalization day arrives.

Both Canopy and Aurora are sprinting right now when it comes to capacity expansion; however, I believe it'll be more of a long-distance marathon than a short race, so it can be expected that Canopy and Aurora will continue to fight for the larger production capacity.

I think Aurora could be a major winner once legalization day arrives thanks to its tremendous advantage when it comes to efficiency.

Aurora Sky isn't your typical greenhouse; it's actually one of the most technologically sophisticated growth facilities of its kind with innovative tech that'll drive the cost per gram of dried marijuana to the floor over a very short time span.

Bottom line

Both Canopy and Aurora have what it takes to be dominant forces in the cannabis industry.

If you're looking for short- to medium-term gains, I think Aurora is the stock to own because its Aurora Sky project will be ready to go come legalization day, and I think the efficiency results will impress even the most skeptical of analysts.

If you're looking for an extremely long-term play, Canopy is the better bet because it has the superior branding and a tremendous long-term vision for what the cannabis industry will look like once it matures.

Not only could Canopy be the go-to choice for digital sales and branding, but it could also evolve into a top biopharma play as it ramps up on medicinal products derived from cannabis.

In short, you can't go wrong with either cannabis stock, but if I had to pick one today, I'd go with Canopy, because here at the Fool, we're all about the long term.

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