Better Marijuana Stock for 2018: Canopy Growth Corp. or Aurora Cannabis Inc.?

Description

Marijuana stocks are on fire. The two heavyweights, **Canopy Growth Corp.** (TSX:WEED) and **Aurora Cannabis Inc.** (TSX:ACB), have shot through the roof and more than doubled in just three months, leaving critics red-faced.

With 2017 drawing to a close, and the industry awaiting the legalization of recreational cannabis in Canada with bated breath, which stock between Canopy and Aurora Cannabis should you buy for 2018?

The case for Canopy

Canopy continued to deliver the strongest sales momentum among marijuana stocks this year, with its revenue more than doubling to $33.4 million during the six months ended September 30, 2017.

In fact, Canopy's fiscal 2017 first-half revenue has already equaled 84% of its total fiscal 2016 revenue, reflecting the torrid pace at which its sales volumes are growing. During the six-month period, Canopy sold 3,850 kilograms and kilogram equivalents compared to only 2,153 kilograms in the year-ago period. It also realized higher prices of $7.98 per gram versus $7.05 per gram in the same period last year.

Canopy is rapidly expanding its production capacity, while stretching its wings into newer markets, like the Jamaican and Danish medical markets. But the marijuana heavyweight broke headlines only recently when beer, wine, and spirits behemoth **Constellation Brands, Inc.** (NYSE:STZ) bought 9.9% stake in the marijuana giant with an eye on producing and selling cannabis-infused drinks.

The fact that Constellation chose Canopy among the many marijuana players underpins the company's foothold in the industry and makes for a strong point in Canopy's investing thesis for 2018 and beyond.

The case for Aurora Cannabis

Aurora Cannabis has turned out to be the marijuana underdog this year. The stock soared to trump rivals like **Aphria Inc.** (TSX:APH) and **MedReleaf Corp.** and settled second only to Canopy with a market capitalization of $2.91 billion, at the time of this writing, versus Canopy's $3.62 billion and Aphria's $1.56 billion cap.

For its fiscal 2018 first quarter, Aurora reported record revenue of $8.2 million, backed by 18% jump in gram-equivalent cannabis sales volumes. The medical marijuana company added 2,880 active, registered patients in Q1 and is on track to building its 800,000-square-foot Aurora Sky facility.

The biggest development has been Aurora's recent proposal to acquire **CanniMed Therapeutics Inc.** (TSX:CMED), which will take its registered patient count to 40,000, among other benefits. Aurora will also become a much bigger player in the industry and could catch the attention of companies like Constellation Brand that may be hunting for pot investments.

For now, Aurora has launched a hostile takeover bid for CanniMed, and it remains to be seen where this is headed. Aurora isn't resting on its laurels, though; it recently acquired greenhouse design firm Larssen, is about to buy H2 Biopharma Inc. and even diversify into hemp with its impending acquisition of **Hempco Food and Fiber Inc.**

The stock to buy

There's no denying that Canopy is a much bigger player than Aurora right now, with nearly three times as many registered patients. However, Aurora's aggressive growth moves reflects its determination to catch up to Canopy and strengthen its foothold in the marijuana industry.

I think you could own some shares of both companies right now, as they look equally poised to benefit if marijuana is legalized. If Canopy's first-mover advantage and leadership position will take it far, Aurora's aggression with growth could push it to new highs.

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2. TSX:ACB (Aurora Cannabis)
3. TSX:WEED (Canopy Growth)

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Date
2025/07/05
Date Created

2017/12/02
Author
nehams