

Canopy Growth Corp. vs. Aphria Inc.: Which Marijuana Stock Offers Better Value?

Description

As the [deal making picks up](#) in the Canadian marijuana industry before the planned legalization of recreational consumption next summer, investors are wondering which stock offers better long-term value.

After an eye-popping rally this year, current valuations for many of the cannabis stocks are extremely rich, while the companies still have a lot to prove.

With this theme in mind, between **Canopy Growth Corp.** ([TSX:WEED](#)) and **Aphria Inc.** (TSX:APH), which one is a better buy? Both of these players have attracted large partners and both are in great positions to benefit from the opportunity about to open.

Canopy

Canopy already retains a top spot in the Canadian market. The company has a recognized brand and secured regulatory approvals for sale and export.

This first-mover advantage won it the biggest prize when **Constellation Brands**, which owns Corona, bought a 10% equity stake in the company for \$245 million in October.

The deal is part of Constellation's plans to sell cannabis-infused beverages in places where recreational marijuana use is legal.

Investors who want to take a position in a company that also has global ambitions and reach, then Canopy stock offers a great value. Canopy has secured the necessary agreements to export medicinal cannabis to Australia, Brazil, Germany, Denmark, Chile, and Jamaica.

On the domestic side, Canopy is well positioned to be a significant player in the recreation market, which, according to a CIBC World Markets report, could be as big as \$10 billion per year.

Aphria

Aphria is another low-cost producer with all the ingredients to challenge Canopy's dominance in the market. The biggest evidence of its strength came on December 4, when the company announced that it has signed a deal with Canada's largest pharmacy chain to supply medical marijuana once it gets the licence.

Shares of Aphria jumped 16%, pushing the company's market cap to just over \$2 billion, making it the third-largest cannabis company in Canada.

According to the details, Aphria will supply both dried bud and oils to Shoppers Drug Mart, which is looking to sell the drug to patients through an online portal and has applied to Health Canada for a licence to do so.

Even before that deal, Aphria was well on course to ramp up its production with smart acquisitions and investments. The company, which produces 9,000 kg of cannabis annually, is targeting 30,000 kg before the legalization date and 100,000 kg by early 2019.

Which one is better?

I see both Canopy and Aphria providing good value for your dollars, provided all the demand forecasts prove true and the Canadian market opens for the recreational use as planned.

Some analysts are also concerned that the explosive gains of this year have put these stocks in [bubble territory](#), but if you are a risk taker and like what is happening in the industry, then these two stocks should be in your shopping list.

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