



Why Aurora Cannabis Inc. Will Outperform Canopy Growth Corp. in 2018

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) and **Canopy Growth Corp.** ([TSX:WEED](#)) are the two frontrunners in the rapidly emerging Canadian cannabis scene, but will these two powerhouses play leapfrog as legalization day comes and goes? Or will one firm become the clear winner once the industry has a chance to mature?

When it comes to cannabis stocks, I'm a huge fan of both companies. However, I've noted that Canopy was my favourite bet for the long term and Aurora was the better short- to medium-term pick because of nearer-term catalysts. I believe Canopy has a more sound foundation than any other cannabis stock out there. That said, it's probably going to take longer for its efforts to truly come to fruition.

Why is Canopy the better long-term bet?

I believe Canopy has the strongest management team because of their incredible ability to form high-profile relationships early in the game. The **Constellation Brands Inc.** investment in particular was a huge long-term win for Canopy, as it opens a gigantic window of opportunity to the cannabis-infused beverage space. Although such a deal won't mean much in the short- to medium-term, it will definitely mean a lot in the grander scheme of things, especially once regulators shed light on plans for cannabis edibles, drinkables, and oils.

Right now, there's not much visibility in the market for cannabis consumables. However, I believe it's very likely that regulations will gradually ease, because let's face it, Canadian regulators are overly concerned with the negatives behind nationwide legalization, even though nothing drastic has occurred in those States that have already had time to observe the behaviour of consumers in the post-legalization era.

The management team at Canopy is incredibly aggressive, but they know how to win and they're focused on becoming the undisputed king of cannabis over the long haul. I have no doubt that they'll be successful; however, investors are going to need a longer term horizon to see many of Canopy's efforts reflected on the bottom line.

Why Aurora may be the better bet for 2018

Aurora is racing to surpass Canopy's market cap, which I believe they'll do, but over the long haul, I do believe that Canopy will regain the top spot.

Over the next year, as we head towards legalization day, I think Aurora has the [better short-term catalysts](#), which will fuel the next leg upward. In a previous piece, I mentioned that Aurora is itching to pull its trigger on a deal, which will allow the company to better meet the sky-high demand of consumers in the years following legalization.

There's no question that cannabis demand will be at its peak in the few years following legalization. As the years pass, there will likely be a ton of newly licenced producers (LPs) jumping onto the scene, which will gradually drive the price-per-gram of marijuana down.

Until then, Aurora has an opportunity to capture a huge chunk of the pot pie as its massive 800,000-square-foot Aurora Sky facility nears completion. This massive facility has very intriguing technologies that have the potential to allow Aurora to clock in record low production costs. That means sales and operating margins will skyrocket, resulting in year-over-year earnings growth that many investors can't even fathom.

Bottom line

Canopy remains my favourite long-term pick, but in the nearer term, I believe you'll receive superior returns with Aurora. You really can't go wrong with either stock as a long-term investor, but your best bet would be to own a piece of both, as the opportunity for triple-digit percentage year-over-year growth is present.

Get some skin in the game today, but make sure you've got enough cash on the sidelines to lower your cost basis should a [cannabis correction](#) present itself over the next year. Such corrections are probable, but they're likely going to be buying opportunities.

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