



Has Aurora Cannabis Inc. Displaced Canopy Growth Corp. as the Top Pot Stock?

Description

On Wednesday, **Aurora Cannabis Inc.** ([TSX:ACB](#)) cleared the last hurdle in its pursuit of purchasing **CanniMed Therapeutics Inc.** (TSX:CMED), as it received the regulatory approval it needed to proceed. The saga lasted for months, and it had all the [drama](#) of a soap opera, and even involved a third wheel in **Newstrike Resources Ltd.** Aurora's final bid for CanniMed was \$43 a share, which was up from its earlier offer of just \$24.

The deal between the two companies would make Aurora the most valuable pot stock on the TSX, ahead of **Canopy Growth Corp.** ([TSX:WEED](#)), which has been synonymous with cannabis legalization and at the forefront of many big developments.

Does the deal make Aurora a better buy than Canopy?

While Aurora has certainly gotten bigger in size, it's debatable as to whether or not this deal means the stock is a better buy than Canopy.

From a market share perspective, Canopy still has a big edge over Aurora, even with this partnership. In the past four quarters, Canopy's sales have totaled just under \$70 million. By comparison, Aurora's top line has come in at less than half of that, with just \$31 million in sales having been accumulated in the trailing 12 months. While CanniMed's sales would help bridge the gap, even combined, the two entities fall well short of Canopy's tally.

If we look at overall profitability, then Aurora certainly has the advantage with the company finishing in the black in three of the past four quarters, while Canopy has only posted a profit in just one of the last four. However, we haven't seen profitability be a big concern for cannabis investors thus far, especially as we are still in the early growth stages in the industry.

We can also compare the stocks in terms of valuation. With a market capitalization of over \$5 billion, Aurora is trading at more than 160 times its sales. Canopy, however, trades at a multiple of just 85. Aurora saw its stock skyrocket amid news that it was looking to buy CanniMed last year, and that has left the share price at a big premium.

Why I still give Canopy the edge

Although Canopy may be passed in terms of market capitalization, the deals and partnerships that it has formed in the past year are what give it an advantage over Aurora and other cannabis stocks. With the company securing some big [supply deals](#) with multiple different provinces, that's going to be a big win when it comes to market share, especially given the restrictions we're likely to see imposed on advertising in the industry.

One of the big challenges will be how cannabis companies can make consumers aware of their brand in light of the limits on advertising. That's where Canopy's position in the industry helps set it apart from its competitors and will give it the name recognition that other stocks simply won't have.

Although Aurora has seen a lot more hype lately, Canopy has a lot more substance behind it, and that makes it a better investment over the long term.

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