Canopy Growth Corp. vs. Aurora Cannabis Inc.: Which Marijuana Stock Is a Better Buy?

Description

Investors who'd missed the marijuana party in 2017 are wondering if they should bet on Canada's top weed producers before the potential legalization of recreational use later this year.

According to some forecasts, the opportunity in Canada's legal recreational marijuana market is huge with some experts seeing sales touching $5-12 billion in a couple of years.

But not all players are positioned to take advantage of this opportunity. The biggest winners will be those that are in a position to meet that demand and that have a reliable distribution network.

Let's have a look at **Canopy Growth Corp.** (TSX:WEED) and **Aurora Cannabis Inc.** (TSX:ACB) to see which of these top marijuana stocks has better upside potential.

Canopy Growth

Judging by its production capabilities, there is no doubt that Canopy will dominate recreational sales in Canada once marijuana is legalized.

Canopy is aiming to expand its facilities, ?representing ?3.2 ?million ?sq. ft. ?of ?indoor ?and ?greenhouse ?production ?capacity. Canopy, through acquisitions and partnership, has positioned itself to ramp up its sales once the market is opened.

It bought Mettrum Health in January 2017 and sold about 10% of its stake to **Constellation Brands**, the third-largest beer producer in the U.S., which plans to sell cannabis-infused beverages in markets that allow the recreational use of marijuana.

Even before a possible surge in recreational demand, Ontario-based Canopy is seeing robust growth in its sales. Its revenue rose to $21.7 million for the quarter ended December 31 — more than double the $9.8 million earned in the last three months of 2016.

And if the recreational market doesn't turn out to be as big as some analysts are forecasting, then the company has positioned itself to meet global demand.

Canopy has ?established ?partnerships ?with ?leading ?names ?in ?Canada ?and ?abroad, ?with ?interests ?and ?operations ?spanning ?seven ?countries ?and ?four ?continents. It also owns a pharmaceutical distributor in Germany and has entered joint-venture agreements in several countries, including Spain, Australia, Denmark, Brazil, Jamaica, and Chile.

Aurora Cannabis

Aurora stock has been on a slippery-slope since it reached its record high in January this year, losing about half of its market value at the time of writing. The biggest contributing factor to the company's massive plunge has been its recent acquisition of **CanniMed Therapeutics Inc.** The deal was part of its efforts to become the largest pot producer in Canada.

This transaction, however, didn't get a favourable reception from the market, as many analysts viewed it dilutive for existing shareholders. Paying such a high valuation also didn't make sense when marijuana companies' share prices started to deflate this year.

That said, Aurora remains the fastest growing cannabis producer and is well positioned to take advantage of the recreational opportunity if and when it comes.

Aurora recently unveiled plans for its high-tech Aurora Sun facility, which will be built on newly acquired 71 acres of land in Alberta. Aurora estimates its total capacity will increase to over 430,000 kilograms per year from its current funded capacity of 280,000 kilograms, positioning the company as a leader in both scale and global reach.

The bottom line

I've been advising investors stay away from marijuana stocks in 2018 after such a massive rally last year in a build-up to the legalization stage. Going forward, it's highly unlikely that these stocks will repeat their 2017 performance, as investors focus on these companies' execution strategies and their abilities to turn invested dollars quickly into profit. Having said that, I think, both Canopy and Aurora are good picks if you want some exposure to this growth area and if you're willing to take risks.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/05
Date Created
2018/04/30
Author
hanwar