



## Which Is the Better Buy Before Legalization: Canopy Growth Corp. or Aurora Cannabis Inc.?

### Description

In early May, cannabis investors were given another scare in the long march to recreational legalization. The unelected Senate is set to hold a third vote on the crucial bill before June 7. Liberal senator Lillian Dyck recommended a delay in order to address the “potential adverse effects” on the Aboriginal community, while Conservative Senator Scott Tannas criticized the way the bill was crafted. A staffer for Conservative Senator Claude Carignan was recently fired for circulating a paper urging senators to postpone the final vote on Bill C-45.

Prime Minister Justin Trudeau pushed back in the days following, reiterating the federal government’s intention to meet its legalization deadline.

The two largest cannabis producers in Canada have made some big announcements in recent weeks. Which one should you go with today? Let’s take a look.

**Canopy Growth Corp.** ([TSX:WEED](#)) saw its stock jump 8.75% on May 18 on a day that saw many of the top producers surge. Shares of Canopy Growth have climbed 21% in 2018 so far. The company represents the “surest bet” of the top producers, evidenced by its fiscal 2018 third-quarter results back in February.

Canopy reported record quarterly revenue of \$21.7 million in Q3, which represents the highest revenue ever recorded by a Canadian cannabis producer. It also posted record quarterly sales of \$1 million in Germany. Profits fell to \$1.6 million compared to \$3 million in the prior year.

I discussed Canopy’s intention to explore a [U.S. listing](#) and explored the potentially positive impact on its stock price on March 1. On May 14, Canopy announced that it had applied to list its common shares on the New York Stock Exchange (NYSE). Canopy projects that its shares will be listed on the NYSE by the end of this month under the symbol “CGC.” Investors should prepare for the spike in volumes accordingly.

**Aurora Cannabis Inc.** ([TSX:ACB](#)) stock rose 10% on May 18. Shares are still down 17.5% in 2018 so

far. Aurora [made yet another splash](#) with its \$3.2 billion acquisition of **MedReleaf Corp.**, which was the largest takeover in the history of the young industry. The Aurora team has been forced to answer a number of questions over the financials of the deal. It has also defended its internal metrics that justify it, but has not released details. For some, this is an area of concern.

Aurora released its fiscal 2018 third quarter results on May 8. The company recorded \$16.1 million in revenue, which represented a 211% jump from the prior year. Total cannabis sales surged 149% year-over-year to \$10.8 million. The company also projects its first harvest from its Aurora Sky facility in June, subject to licensing. It also plans a big ramp up in production for the second half of this year.

### Which stock should you go with today?

Canopy reported record revenue in fiscal 2018 Q3, but actually missed analysts' expectations while profits also slipped. Aurora saw a big jump in revenue from the second quarter, but has forked out a premium for two acquisitions that have some analysts scratching their heads. In the short-term, I like Canopy to get a big boost from its U.S.-listing, but Aurora comes at an attractive price looking long and should be able to overcome financial hurdles with its huge capacity going forward.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

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