

Why I'd Invest in Canopy Growth Corp. Over Aurora Cannabis Inc. Today

Description

Aurora Cannabis Inc. ([TSX:ACB](#)) has been in pursuit of pot companies for the past several months. Its most recent [acquisition](#) of **MedReleaf Corp.** ([TSX:LEAF](#)) was the biggest that we've seen in the industry so far, and months earlier it was involved in [another deal](#) that was, at the time, the biggest. Aurora seems intent on being the biggest pot stock in the industry, and it's been willing to acquire companies regardless of value.

Its key competitor **Canopy Growth Corp.** ([TSX:WEED](#)) is unimpressed with these moves and recently said that this is not an approach that it would be taking. CEO Bruce Linton stated in an interview with *BNN Bloomberg* that "The valuations for us to acquire are relatively higher than the assets we think we'd be getting." He believes the valuations aren't a little high either: "These deals that I'm seeing out there, it kind of proves that you can actually spend a dollar to buy a dime."

Why Canopy Growth is right

Buying a company for the sake of buying and growing market share simply isn't a good reason to acquire. Price is a big factor, and when you're paying a big premium for a business for no discernible reason, it becomes a waste of cash, or, in the case of Aurora's recent acquisition, shares.

In its most recent purchase, Aurora paid around 75 times MedReleaf's sales, which is a big premium by any standard. Unfortunately, this has been the norm for cannabis stocks, and last year it wouldn't have been uncommon to find several stocks that were being valued at more than 100 times their sales. Valuations have simply gotten out of control, and even with pot stocks struggling for much of 2018, prices could still come down even further.

That being said, Canopy Growth itself is not a low value either, as it too trades at about 100 times its sales. However, it is right in its stance to avoid these bad deals and stay away from high-profile ones that are going to fetch a big price tag.

Why I'd invest in Canopy Growth over Aurora

If I were to be investing in marijuana, I'd be purchasing Canopy Growth instead of Aurora. A big reason for that is that I'm a big believer in a company's management, and I'm not a fan of companies that are very aggressive when it comes to acquisitions, especially when prices are very high. When it comes to investing, whether you're an individual or a corporation, you should be looking for value, and that goes hand in hand with the price that you pay for a stock or a company.

By avoiding this game of acquisitions, Canopy Growth is demonstrating a more methodical, calculated approach to its strategy. That's not to say that the company hasn't been involved in any acquisitions, but it's trying to be smart about the ones it makes. Canopy Growth's stock has grown more than 20% year to date, and that's impressive in a year when pot stocks have been falling out of favour with investors.

CATEGORY

1. Investing

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

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