



Better Buy: Canopy Growth Corp. (TSX:WEED) vs. Aurora Cannabis Inc. (TSX:ACB)

Description

Canopy Growth Corp. ([TSX:WEED](#))(NYSE:CGC) and **Aurora Cannabis Inc.** ([TSX:ACB](#)) are the two top frontrunners in the hot Canadian marijuana scene. While both names are an effective means to capitalize from the [Canadian “green rush,”](#) there are some significant differences between each company’s respective strategy that investors ought to know about before pulling the trigger on either one of the two pot giants.

Aurora Cannabis stock

Consolidation within the Canadian marijuana scene is inevitable. Most pundits believe that a majority of the M&A activities will be conducted over the next three years or so, but Aurora’s management team isn’t willing to wait for its peers to scoop up the opportunities it’s been eyeing in the space. And management isn’t afraid to dilute its shareholders either to win over the likes of **MedReleaf Corp.** and **CanniMed Therapeutics Inc.** for over \$4 billion combined.

Long-term shareholders aren’t happy with the dilutive effects, but with each deal, Aurora is beginning to look like it could be a takeover target of a behemoth in an industry that stands to be disrupted from the Canadian legalization of marijuana.

Although alcohol companies like **Molson Coors Brewing Co.** have noted their interest in obtaining some exposure to the cannabis space, I believe that Aurora may be a more attractive target through the eyes of big pharma firms that consider therapeutic benefits of cannabis as a threat to their sales.

Both CanniMed and MedReleaf can be considered pharmaceutical plays themselves and not just another producer of marijuana. As the safer cannabis-based products become more prevalent in the medical field, cannabis-based products like tinctures and capsules will likely become a superior substitute for expensive and unsafe opioid-based medications that are being recklessly prescribed by many physicians.

Canopy Growth stock

With a more patient approach than Aurora and management commentary that's more indicative of a firm that's thinking extremely long-term, it's not a mystery as to why Canopy has remained Canada's favourite pot stock for several years now.

While uncertainty has clouded the nascent industry, Canopy has arguably been the most transparent with its plan to capture the maturing market by storm. Also, Canopy possesses some of the most prized recreational marijuana brands that will take off should regulators ever decided to back away from excessive regulations that aim to keep cannabis out of the hands of minors.

Moreover, Canopy has acknowledged the threat of the black market and has offered potential solutions to counteract it. With rules allowing for select households to grow up to four cannabis plants, I believe the market between household growers will be a primary concern for producers, which may dampen the actual cannabis demand in a post-legalization environment.

"This is the beginning when we'll have some stores in all the provinces, we'll have some products going, but then we're going to increment the products so that we'll have a better competitive set with the illicit market," said CEO Bruce Linton.

While Canopy may be scooped up entirely by **Constellation Brands Inc.** at some point over the next few years, Canopy appears to be the lowest risk play for long-term investors who can stomach double-digit percentage fluctuations on any given day.

Better buy?

Aurora appears to be the [better bargain](#) after the recent collapse of its shares. Although the most significant deals have already been made, it's likely that Aurora will continue moving along with tuck-in acquisitions as it discusses potential takeover deals with massive big pharma behemoths, which will likely be fighting over a name like Aurora.

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