Could THIS Be the Cannabis Stock to Beat Canopy Growth Corp. (TSX:WEED)?

Description

Summer is here and cannabis euphoria is in full swing. And with legalization set to take effect October 17, everyone is talking about Canada's favourite marijuana stock, **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC).

Canopy has been on fire in the past 12 months. It's also generating a lot of buzz. When a stock more than triples in a single year, people take notice — and doubly so if new legislation could potentially grow its sales dramatically.

But Canopy is not the only TSX cannabis stock that stands to benefit from legalization. **Aphria Inc.** (TSX:APH) is another medical marijuana vendor that could expand into the recreational market when legalization passes. And there are reasons to believe that it's an even better pick than Canopy itself.

We can start with the most obvious: earnings.

Positive earnings figures

When it comes to net income, Aphria has Canopy beat.

It's impossible to deny that Canopy has solid *revenues.* In the quarter ended March 2018, it did over $22 million in sales. However, the company has so far failed to deliver positive earnings; its net income has been negative for the past three years, with the loss actually increasing in 2017 (compared to year-end 2016).

Aphria, on the other hand, can claim healthy revenue *and* net income. It had revenues of $20,438,483 in fiscal year 2017, along with a net income of $4,198,455. The net income figure in particular is up significantly (from $397,961 at year end 2016). To be sure, Aphria has had losing quarters and years itself. But unlike Canopy, its net income is trending solidly in an upward direction.

International reach

Both Aphria and Canopy have their eyes set on international markets. Canopy has operations in

Jamaica, Germany, Chile and Denmark. This is an impressive reach. But a recent acquisition gives Aphria arguably an even greater international footprint.

Earlier this spring, Aphria agreed to purchase Brampton, Ontario-based Nuuvera for $425 million. The sale price is worth mentioning in itself; thanks to a correction, Aphria was able to complete the acquisition for $375 million less than it had initially sought. Even more significantly, the acquisition means that Aphria now casts a wider international net than Canopy. The countries now served by Aphria and subsidiaries include Germany, Italy, Malta, Spain, the UK, Israel and Uruguay.

Coverage of the Canadian cannabis industry has tended to focus on legalization and how it will affect companies. It's true that the new laws will likely prove a boon to Canada's major cannabis suppliers. But the international market is even larger, and with the acquisition of Nuuvera, Aphria now has sales and supply agreements in even more countries than Canopy.

In the end, this may make Aphria the better long-term play.

None of this is to say that Canopy is a bad bet. It has much to recommend it, including steady revenue gains and an enviable market position as Canada's largest cannabis grower. And of course, all Canadian cannabis stocks have the potential to tap into totally new revenue streams when legalization hits on October 17. In the end, investing in the sector as a whole, instead of choosing one representative stock may be the wisest bet.

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