



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

### Description

Sales of recreational marijuana are expected to start in a little over a month. At the moment, there are two clear-cut industry leaders — **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **Aurora Cannabis** ([TSX:ACB](#)). They have the largest production capacity and unparalleled international operations.

These are the two largest TSX-listed marijuana companies by market capitalization. The question is, which one is a better buy? This is a battle between industry heavyweights!

### Performance

Although historical performance is not a precursor to future success, consistent results and a reliable management team can make the world of difference. Year to date, Canopy has returned 85.05%. This is tops among industry peers. On the flip side, Aurora has lost 42% of its value. Unfortunately for shareholders, this places it last in the industry.

We have two companies in the same industry that have gone in opposite directions. Why? There are two main reasons.

Aurora's struggles are a direct result of its acquisition spree. The company has made several high-profile acquisitions, but each [resulted in shareholder dilution](#). Canopy's impressive performance has, in large part, been a result of its partnership with **Constellation Brands**.

*Edge: It's not even close. Canopy's shareholders have enjoyed far greater returns.*

### Strategic partnerships

Marijuana companies have been lining up to become provincial suppliers of recreational marijuana. As of today, the majority of provinces have announced supply agreements. Canopy and Aurora are two of only five companies that have secured supply agreements with more than six provinces. Canopy, however, is the only company to have agreements with all provinces that have made announcements.

Outside of supply agreements for recreational marijuana, both companies have significant partnerships with companies outside the industry. As mentioned previously, Constellation and Canopy are tied at the hip. In mid-August, Constellation made the single largest investment in the cannabis industry when it took a \$5 billion stake in Canopy. As a result, Canopy has become Constellation's exclusive global cannabis partner. This agreement cannot be understated. Constellation Brands is one of the world's largest alcoholic beverage companies.

In February, Aurora entered a medical marijuana supply agreement with Shoppers Drug Mart. Shoppers has applied to become a licensed medical marijuana supplier. Once approved, Aurora's medical cannabis product will be sold through Shoppers online store. Of note, Shoppers is Canada's largest pharmacy retailers with over 1,300 stores nationwide.

*Edge: Both have established key supply agreements and partnerships. To date, however, Canopy's have had more impact.*

## Valuation

Lastly, we'll take a look at current valuations. Pot stocks are difficult to value because most are not profitable. Don't worry; this is quite normal in high-growth industries. Instead, I prefer to look at the company's valuation in comparison to sales and book value. As of writing, Canopy is trading at 167 times sales, while Aurora is trading at 185 times sales. Both are near the mid-point of industry peers.

On the flip side, Canopy is trading at 11.79 times book value — tops in the industry. Aurora, however, is trading at a book value of 3.34, in line with industry averages.

*Edge: Aurora seems to have the slight edge here based on the significant difference in book value. However, one can make the argument that Canopy is deserving of this premium as compared to its peers.*

## Winner: Canopy

There is [no better pot stock](#) in the industry than Canopy. The company is much more shareholder friendly than Aurora and has signed more meaningful partnerships. In my view, all pot stocks are trading at frothy valuations, but Canopy is less exposed to a market crash.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:STZ (Constellation Brands Inc.)
3. TSX:ACB (Aurora Cannabis)
4. TSX:WEED (Canopy Growth)

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