Aurora Cannabis Inc. (TSX:ACB) Is the Unsexiest Marijuana Stock of the Year! That's Why it's a Buy

Description

What's wrong with **Aurora Cannabis** (TSX:ACB)? Why isn't the stock as high as its peers in **Tilray**, **Cronos Group**, or **Canopy Growth**? Is Aurora's medical approach unattractive to prospective alcohol companies? Is it time to swap out Aurora for the hotter, sexier pot play on Bay Street?

These are many questions that investors may have asked themselves over the past month, and while Aurora stock has not faltered with its 54% bounce since the August 14th local bottom. I find it likely that many Aurora investors may be disappointed with their returns, as they've vastly underperformed relative to the broader basket of pot stocks.

Now, a 54% return in less than a month is nothing to sneeze at, so if you're kicking yourself over not having the "sexiest" name in the space, you need to take a step back to keep your greed level in check. A 54% return in under a month is unfathomable for most, but if you're even thinking about swapping Aurora for the likes of a Tilray or Cronos Group, you've probably gotten overly euphoric, and you could be in danger of surrendering a vast chunk of the gains you've already made.

Consider what's been driving pot stocks higher this time around. It's all about **Constellation Brands** and its second puff of Canopy Growth stock. That's the event that's sparked a tonne of speculation over whether Constellation will buy Canopy outright and which pot firm will be next to get an investment (or a partnership).

Add U.S. IPOs, dual-listed pot stocks, the possible migration of cryptocurrency investors into the pot space, and skyrocketing media coverage of pot stocks into the equation, and you've got a sector whose momentum appears unstoppable. There's no question that the next leg up may mint many more marijuana millionaires, but if you're following the sexiest play within the hottest industry, you may find that your results may not end up being sexy.

Back to Aurora — the unsexy play in the marijuana market. The stock is down over 30% YTD and 44% from 52-week highs thanks in part to its shareholder-dilutive moves made nearly a year ago. While it's apparent that the moves were a mistake in the short term, I'd urge investors to forgive the company and consider its very promising underlying medical cannabis assets in addition to its Aurora Sky and Sun projects, which will likely be the talk of the town in the post-legalization era.

Foolish takeaway

Make no mistake. Aurora is still a premier player in the cannabis space, so if I were to bet, I'd say the recent bout of underperformance will be made up for down the road, whether it's through the announcement of a positive joint venture (or investment) from a pharmaceutical behemoth or a blowout quarterly report in 2019.

Simply put, Aurora is a value play in an explosive market, and over the next year, I wouldn't be surprised to see Aurora outperform today's sexiest pot stocks, Tilray or Cronos Group, by triple-digit percentage points. If you're a risk-seeker and have accepted the massive risks that come with cannabis investing, Aurora looks like the best bet by a country mile.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/27
Date Created
2018/09/12
Author
joefrenette