

## Should Aurora Cannabis Inc. (TSX:ACB) or Aphria Inc. (TSX:APH) Be on Your Weed Stock Buy List?

### Description

Canadian [cannabis stocks](#) continue to dominate the headlines, and marijuana investors are wondering which companies offer the best shot at long-term returns.

Let's take a look at **Aurora Cannabis** ([TSX:ACB](#)) and **Aphria** (TSX:APH) to see if one deserves to be a top pick for your weed stock portfolio.

#### Aurora Cannabis

In the past 12 months, Aurora Cannabis has emerged from the middle of the pack in a crowded marijuana sector to become a major player in the industry.

Through an aggressive acquisition spree that included the \$1.1 billion takeover of CanniMed and the \$2.5 billion takeover of MedReleaf, Aurora Cannabis now has the size and scalability to compete with **Canopy Growth** in Canada and on the global stage. Production should be up to 150,000 kg per year by the end of 2018 and funded production capacity current sits at roughly 500,000 kg per year.

In addition to its Canadian production facilities, Aurora Cannabis owns Germany's largest distributor of medical cannabis, Pedanios, which is one of a handful of companies certified to import and distribute medical marijuana in the country. Aurora Cannabis has also established a joint venture in Denmark that will construct Europe's largest cannabis production site.

The European market, with a population base of more than 400 million, is viewed as an important growth opportunity for Canada's top [cannabis companies](#).

Recreational sales are about to become legal in Canada, and many companies are planning to tap the broader consumables market. Cannabis-infused beverages are expected to be popular, and top drinks companies are partnering with producers to develop products. Aurora Cannabis saw its stock price move significantly higher in recent weeks on reports the company was in discussion with **Coca-Cola**. No deal has been announced, but investors are betting Aurora Cannabis will eventually hook-up with an international beverage partner. Canopy Growth is already 38% owned by **Constellation Brands** and **HEXO** has a joint-venture in place with **Molson Coors Canada**.

At the time of writing, Aurora Cannabis trades for \$12 per share, giving the company a market capitalization of \$11.4 billion.

#### Aphria

Aphria just announced a strategic acquisition that gives the company a foothold in the emerging medical marijuana market in Latin America. The purchase of LATAM Holdings from Scythian Biosciences instantly gives Aphria a presence in Colombia, Argentina, and Jamaica. The deal also

provides an option to acquire a unit in Brazil.

The company already has partnerships or supply agreements in Germany, Australia, and Africa.

At home, Aphria now has supply deals in place with all of the provinces and one territory in preparation for the launch of the recreational market.

Aphria trades for \$17 per share. That translates into a market capitalization of roughly \$4 billion.

### **Is one a better buy?**

Strong rallies in both stocks over the past six weeks have taken the companies from being expensive to very expensive, given the current revenue streams. As such, investors who buy today have to be convinced the Canadian and global cannabis markets will expand as predicted.

If you are positive on the long-term outlook, Aurora Cannabis is much larger and better established, so that might be the way to go if you want to own one of the big names.

Otherwise, Aphria might offer a shot at a premium on a takeover bid. Consolidation is likely to continue in the sector and lofty valuations make it easier to do all-stock deals right now.

If you missed the big marijuana stock rally, other disruptor opportunities are emerging in different industries.

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aswalker

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