



## Should Aurora Cannabis (TSX:ACB) or Tilray Inc. (NASDAQ:TLRY) Stock Be on Your Buy List?

### Description

The pullback in [marijuana stocks](#) over the past month has investors wondering which cannabis companies might be the best picks for a pot stock portfolio.

Let's take a look at **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Tilray** ([NASDAQ:TLRY](#)) to see if one deserves to be on your [buy list](#) today.

### Aurora Cannabis

Aurora Cannabis just reported quarterly results that sounded impressive. The company generated revenue of nearly \$30 million for the three months ending September 30, representing a 260% jump over the same period last year. Production for the quarter hit 5,000 kg, which was a 395% increase on a year-over-year basis.

Despite the improved numbers, investors remain negative on the stock. Aurora Cannabis currently trades for \$8.20 per share compared to \$15 in the middle of October.

The drop might appear like a deal, and investors who buy now could very well pick up some big gains on the next surge in the market, but Aurora is still expensive. The current market capitalization of roughly \$8 billion is pretty high for a business with annualized revenue of \$120 million.

However, as the recreational market in Canada works through its start-up pains, Aurora Cannabis should capture a fair share of the sales. The company said its brands made up 30% of the total amount of product supplied through the Ontario Cannabis Store.

Canada is getting most of the media attention, but the international medical marijuana opportunities remain the core focus for long-term growth. Aurora has operations and partnerships in Denmark, Germany, Malta, Australia, South Africa, and Latin America.

## Tilray

Tilray just reported quarterly revenue of \$10 million, with all of it coming from medical marijuana sales. The company was one of the first movers into the key European market and stands to benefit significantly as the different governments in the E.U. adjust their marijuana legislation.

Tilray is also the only Canadian marijuana producer that has received approval from the DEA in the United States to import medical marijuana for research purposes. The decision sparked a massive rally in Tilray's stock price in September, but the excitement quickly faded.

The recent departure of Jeff Sessions from the U.S. attorney general post puts the future of potential federal legalization of marijuana in question. Sessions is not supportive of legalizing the sale of pot, and the market could swing dramatically in one direction or the other, depending on who fills the job.

Tilray currently trades for close to US\$100 per share. That's four times higher than the price the stock fetched three months ago, but down more than 50% from the September closing high.

As with Aurora Cannabis, Tilray is expensive. The stock has a market capitalization of US\$9.4 billion, despite the low revenue relative to its large peers and the fact that it lost an adjusted US\$0.08 per share in the most recent quarter.

## Should you buy?

Aurora Cannabis and Tilray are both leaders in the marijuana sector and have the size and scale to succeed in the emerging global cannabis market. Investors who think the industry will grow as rapidly as many analysts predict might want to start a small position in these stocks while they are somewhat out of favour. If you only buy one, Aurora is arguably "cheaper" today, but that doesn't necessarily make it less volatile going forward.

Investors who are nervous about buying the producers have other options to play the marijuana sector.

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