



Aurora Cannabis Inc (TSX:ACB) vs. Canopy Growth Corp (TSX:WEED): Which Is the Better Buy?

Description

Now that the big marijuana companies have recently released their earnings for the past quarter, and with recreational sales playing a big factor going forward, I figure it's a good time to look again at two of the big players to see which one is a better buy today.

In one corner, we have **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), which has seen its share price take a beating in recent weeks, but has by and large been the name that has been long associated with the marijuana industry.

In the other corner is its key rival **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), which has been involved in some big acquisitions over the past year, as it has looked to usurp Canopy as the top cannabis position.

Both companies are brand names in an industry where advertising has been limited, but let's take a closer look how they compare on some key factors.

Strategy

Canopy has locked up a big beverage deal with popular beer maker **Constellation Brands**, the company that's behind the Corona brand. While there has been a lot of interest and excitement surrounding beverages, [few deals](#) have been announced, with the Canopy-Constellation one taking centre stage thus far.

This is a big area that Canopy is banking on achieving a lot of growth and interest from consumers, although with edibles not being legalized until next year, it will take some time before we see the results from that.

Aurora, meanwhile, hasn't been able to land a big beverage brand, despite being in talks about a potential deal. However, the company has focused on expanding its reach in the medical marijuana segment with key acquisitions last year that gave the company a big footprint in that space.

The medical marijuana segment has many opportunities to grow, especially as researchers learn more about how cannabidiol can be used to heal people.

I'd give Aurora the edge in strategy simply because it's not ignoring the beverages market, and it's taken some big steps in ensuring it's going to be a big player in the medical segment, which I see as having much more potential.

Valuation

Pot stocks are heavily overpriced and have been for some time. But value is also relative and easy to compare, so it's a good metric to consider when investing.

Although constantly changing share prices mean these multiples will fluctuate a lot, currently Canopy Growth is trading at around 160 times its sales compared with Aurora, which is closer to 100.

Here as well, Aurora provides investors with a better price point, although both multiples are extremely high.

Recent performance

Aurora saw good sales growth in its most recent quarter with its top line soaring by more than 250% compared to 33% for Canopy. However, the two companies are coming from different starting points, so the percentages will be a bit skewed.

But in Canopy's case, the company [missed expectations](#) by a big stretch, and investors have been selling the stock in retaliation to that. Unlike Aurora, Canopy also posted a big loss, which only makes it less appealing.

The edge here would also have to go to Aurora by default, just because of the big miss by Canopy.

Bottom line

Both stocks have struggled in recent weeks, but Aurora wins in every major category for me.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)

4. TSX:WEED (Canopy Growth)

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Author

djagielski

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