

## Aphria Inc (TSX:APHA) vs. Aurora Cannabis Inc (TSX:ACB): Which Weed Stock Will Go Higher in 2019?

### Description

2018 was a wild year for the cannabis industry. Between legalization, short attacks, lawsuits, and the epic **Canopy Growth Corp acquisition** by **Constellation Brands**, it was an incredible time to behold. But believe it or not, 2019 could be even bigger—at least for investors. Because while 2018 witnessed the biggest political event in the history of Canadian cannabis, 2019 will witness the biggest financial event: the publishing of quarterly reports that include three months of post-legalization earnings.

Although the final quarter of 2018 is already a done deal, investors won't learn the upshot until February – and there's a lot at stake here.

The first quarter of legal cannabis sales will likely be the biggest quarter for the cannabis industry for a long time. During the week of legalization, **Shopify** posted more than 100 cannabis sales a minute. This feat was made possible by the celebratory atmosphere surrounding the arrival of legal cannabis, along with the novelty of finally being able to purchase marijuana at a store. Future quarters will likely not be nearly as strong, so if February earnings don't beat expectations, the cannabis industry may be dead in the water.

But there are always exceptions to the rule. Although many cannabis stocks are piling up bigger and bigger losses every quarter, a few are starting to eke out fledgling profits. Two of the best performers in this regard have been **Aphria Inc** (TSX:APHA)(NYSE:APHA) and **Aurora Cannabis Inc** (TSX:ACB)(NYSE:ACB). These two stocks have stood out from the pack by posting positive net income and phenomenal growth.

The question for investors is, which, between the two of them, is the better pick? We can start by looking at the case for Aphria.

### The case for Aphria

Aphria is one of the best marijuana stocks in terms of profitability. In its most recent quarter, it posted \$21 million in net income and a small operating loss of \$9 million. In its next-to-last fiscal year, it had \$2 million in operating profits.

Aphria is profitable because of its long-term investment portfolio, which has helped it eke out profits despite operations that mostly lose money. I expect the company's investments to lose money when earnings are reported next quarter because the TSX declined during the reporting period. If I'm right about this, then Aphria's net income could go into the red again.

### The case for Aurora

Aurora doesn't have the history of (occasional) operating profits that Aphria can boast. But it has

Aphria beaten in one category: growth. In Q1 fiscal 2019, the company posted stunning [260% revenue growth](#), which makes it the fastest-growing major cannabis producer by far. The company also managed to earn \$104 million, but most of that income came from unrealized non-cash gains on marketable securities. The company's operating results were less encouraging: a \$96 million loss, compared to a \$39 million loss in Q4 2018.

## Bottom line

In a contest between Aurora and Aphria, my vote goes to Aphria only because it has a somewhat better history of profitability. Aurora has stronger revenue growth, but costs are growing even faster than revenue. I don't see either of these companies becoming cash flow positive anytime soon, although Aphria has hit the mark a few times in the past. Investors should probably stay away from cannabis stocks for now.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)

## PARTNER-FEEDS

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

## Category

1. Investing

## Date

2025/08/26

## Date Created

2019/01/09

## Author

andrewbutton

default watermark

**default watermark**