



## Better Buy: Canopy Growth Corp (TSX:WEED) Stock or Aurora Cannabis (TSX:ACB) stock?

### Description

It has been a great start to the year. After a miserable December, the stock markets have rebounded. Investors have enjoyed green across the board — a nice reprieve from the sea of red. The Canadian cannabis industry has followed suit, with the index gaining 26% in 2019.

With that in mind, which is a better buy out of the two largest players in the industry: **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) or **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB)? [Round one](#) went to Canopy Growth. Can it keep its title?

### Top pot stock for performance

Which stock has been the most reliable performer? The answer is an easy one. Shareholders of Canopy Growth have been rewarded handsomely. Despite the majority of the industry suffering double-digit losses in 2018, WEED's stock posted a 13% gain. On the flip side, Aurora's performance was dismal. ACB's stock cratered by 40% last year.

Aurora's underperformance is not surprising. Aurora has gone on a buying spree, picking up whatever it can get its hands on. Bulls point to production expansion as the main benefit of these deals. What they failed to understand is that every one of Aurora's deals have been [dilutive to existing shareholders](#). Why? Because Aurora has purchased companies at significant premiums in all-share transactions. These types of transactions almost never work out in the acquirer's shareholders' favour.

*Edge:* There is no contest here. Canopy is as reliable as it gets.

### Top pot stock for growth

An investment in the cannabis industry is made for only one purpose: exponential growth. These aren't income or value stocks. Analysts expect Canopy to grow revenue by 221% on average through 2020. Aurora's growth is even more impressive with expected revenue-growth rates above 300%.

Can they achieve these lofty goals? These are high expectations, and a miss on revenue can send its share price crashing. I've got bad news for both companies. Canopy has missed analyst estimates in three of the past four quarters. It's the same for Aurora. In the first quarter post-legalization, Canopy missed sales estimates by 62% and Aurora missed by 26%. These big misses played a factor in the industry weakness in late 2018.

*Edge:* Aurora edges out Canopy as it has higher growth rates, and it performed slightly better in the first quarter post-legalization.

## Top pot stock for value

This is where it gets interesting. The industry is ripe with stocks trading at insane valuations. Count Aurora and Canopy among them. Canopy is trading at 24.5 times forward sales. Aurora, however, is trading at a much more respectable 10.14 times future sales. Similarly, Canopy's price-to-book ratio of 8.22 is significantly above Aurora's 1.11 ratio. Analysts have a one-year average price of \$11.80 on Aurora's stock, which implies 38% upside from today's price. In comparison, Canopy is only trading 11% below its one-year price target of \$64.39.

*Edge:* Aurora's stock is cheaper than Canopy's stock.

## Top cannabis stock for 2019?

After coming up short in round one, Aurora strikes back and takes round two! When it comes to performance, reputation, and reliability, Canopy is still considered the best in class. However, Aurora's recent weakness has presented investors who have a little more risk tolerance with an opportunity. Its stock is much cheaper, and it has higher-than-expected growth rates.

At the end of the day, the performance of any stock in the cannabis space will be dependent on their ability to execute. The next few quarters will be telling.

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

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

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