# Is Canopy Growth Corp (TSX:WEED) About to Be Dethroned?

## Description

It's an exciting time for the cannabis industry. After sustaining heavy losses in the second half of last year, marijuana stocks are back and kicking, with **Canopy Growth Corp** (TSX:WEED)(NYSE:CGC) having gained 63% in the first 25 days of January.



Returns that big are exciting as it is. But now, something even bigger is set to occur — a power shift in the cannabis industry that could send one major cannabis producer higher than ever before. This development, if it materializes, would mark the end of Canopy's reign over the cannabis kingdom, and the beginning of a new stock's run at the top. It all has to do with Canada's current #2 cannabis grower: **Aurora Cannabis Inc** (TSX:ACB)(NYSE:ACB).

## Aurora's revenue growth outpacing Canopy's

Aurora cannabis has been the second biggest Canadian cannabis producer for a long time. Although it was briefly eclipsed by **Tilray** (NASDAQ:TLRY) by market cap, it is second only to Canopy in terms of annual revenue.

In its most recent two quarters, Aurora grew revenue at over 200%. In Q1, it grew at 260%, while in Q4, it grew at 223%. In Q4, total revenue was at $29 million. Canopy, on the other hand, earned revenue of $23.3 million in the same period–with a 33% growth rate. So Aurora has *already* surpassed Canopy for one quarter. But if each of these companies continues growing revenue at rates comparable to their most recent quarters, the 2019 calendar year will be the first time ever that another cannabis producer exceeds Canopy's full year sales. And there's more.

## Profitability metrics

If we look at profitability metrics, Aurora is already well ahead of Canopy–although there's a slight disclaimer here.

In its most recent quarter Aurora had a net income of $104 million compared to a $330 million loss for Canopy. By that standard it looks like Aurora is thrashing Canopy, with the latter having no chance of catching up. However, you might have noticed that that net income was far higher than Aurora's actual revenue. Aurora had enormous non-cash gains on marketable securities, so these net results don't reflect operating results. Still, Aurora's operating loss of $96 million in Q1 was still much smaller than Canopy's in the same three-month period.

## It's not the first time this has happened

Despite how often Canopy is called the 'largest marijuana producer,' it has actually been eclipsed in the past. For example, this past summer, Tilray topped Canopy by market cap for almost a month, reaching as high as $19 billion (USD). Granted, that came and went, with Tilray's market cap now down to just over $7 billion, but it demonstrates that Canopy being bested is not unprecedented. The real question here is whether Aurora's market cap will ever catch up with its revenue and pull ahead of Canopy's. For that to happen would require a 150% increase in Aurora's stock price (assuming Canopy's stays the same), so current investors would be handsomely rewarded if it materialized.

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