Aurora Cannabis (TSX:ACB) vs. Cronos Group (TSX:CRON): Which Market Beater Has More Long-Term Upside?

Description

Are you interested in pot stocks? If you are, you're not alone. Pot stocks are very popular, and for good reasons. While the TSX has returned about 13% year to date, **Horizons Marijuana Life Sciences ETF** (TSX:HMMJ) is up 62% year to date. So, the marijuana sector in general is outperforming the whole market.

But there are two pot stocks that have performed particularly well since the beginning of the year: **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) and **Cronos Group** (TSX:CRON)(NASDAQ:CRON). I'll compare the two stocks to see which one is a better buy.

Aurora Cannabis

Aurora is one of the world's largest cannabis producers, with a production capacity of more than 500,000 kg a year.

Aurora's strategy is to be the first to get in medical marijuana's emerging markets. The cannabis producer has sales and operations in 24 countries, which is the largest network in the industry. Aurora has 15 wholly owned subsidiary companies, including MedReleaf and CanniMed Therapeutics.

To grow its business, Aurora has established strategic partnerships with a range of leading innovators, including **Radient Technologies** and **Hempco Food and Fiber**.

Aurora's most recent acquisition, Whistler Medical Marijuana, is expected to provide it with a suite of premium and organic certified products.

The billionaire Nelson Peltz recently joined Aurora as a strategic advisor. He will be working with the company to explore potential partnerships and help with its global expansion strategy.

Aurora stock has risen by 90% since the beginning of the year. Its P/B, P/S, and forward P/E are 3.1, 80.1 and 100, respectively.

Cronos Group

Cronos invests in pot growers and companies in the marijuana business, and its portfolio currently consists of six companies, two of which it owns entirely.

On December 7, Cronos announced it had entered a subscription agreement with **Altria** in which the cigarette giant would invest $2.4 billion into Cronos for a 45% stake in the marijuana company. Altria also has an option to take a majority interest in Cronos in the future. The investment closed a few days ago.

As the market for recreational cannabis is opening in many parts of the world, Cronos could use Altria's international reach to expand its business. Altria could also help Cronos turn marijuana into a more standardized consumer product.

Cronos currently has a capacity production of only 120,000 kg, but Cronos could use the cash coming from Altria's investment to expand its production and distribution footprint. The company has already taken steps to increase its manufacturing capacity by constructing new facilities in Canada and overseas through joint ventures.

Cronos could also use the extra cash to increase its R&D spending to speed up projects, such as development of cultured cannabinoids.

Cronos stock has risen by 95% since the beginning of the year. Its P/B, P/S, and forward P/E are 22.8, 482.6 and 400, respectively.

Which cannabis stock is a better buy?

While I think the two companies are among the best in the marijuana sector, if you have one stock to buy, Aurora looks like the best choice now.

Aurora has a much bigger production capacity than Cronos, which is important to meet demand. Aurora is also more present internationally than Cronos, which is only in early stages of global expansion. Aurora's stock is also cheaper than Cronos. So, if you're looking to buy for the long term, I would favour Aurora over Cronos.

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