



## Should You Give Up on Aphria (TSX:APHA) and Buy Aurora (TSX:ACB)?

### Description

This week, **Aphria** (TSX:APHA)(NYSE:APHA) reported its earnings and analysts were more than shocked at the results.

It was a [massive letdown for shareholders](#) who had high hopes for the cannabis company. Aphria remains in third place among Canadian marijuana companies, but now some are worrying that it won't keep that spot for long.

Then we have **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB). This company has remained in the second spot for quite some time and has made some major announcements lately that have investors excited.

So, what should investors do? Ditch Aphria for Aurora? Here's my take.

### Aphria

Aphria's earnings released on Apr. 15 were pretty darn dismal, to be sure. The stock lost a net total of \$108.2 million, and while analysts expected \$80 million in revenue the company, the company managed to squeak out \$73.6 million instead.

The news sent the stock plunging almost 15%, and it now sits far below that approximately \$13.50 price at around \$11 per share at the time of writing. But the company's interim CEO Irwin Simon believes the sell off is premature.

The reason revenue dropped is two-fold. First, the company took on a loss for its \$50 million non-cash impairment on its Latin American assets. Second, the company made a big switch when it decided to move from manual production to automated. Starting over isn't easy, and this definitely hurt production for this quarter.

However, that loss is a temporary one, and it has a lot of analysts convinced. Simon stated Aphria is still working towards its \$1 billion sales objective by 2020 and is on pace to do so. It has 2.4 million square feet of production capacity to start amping up production once it's completely revamped. But

until then, sales may slack.

But if you're not looking to sell in the short term, I would hold on to your stocks. The company should either rebound or even be acquired by a company like **Cronos Group** that has the cash and means to broaden its portfolio. That's making this stock entirely undervalued. In the next 12 months, it could reach as high as \$26 per share if everything goes to plan.

## Aurora

Aurora Cannabis has remained steady as a rail when it comes to its goals, but those goals haven't necessarily been kind to investors. The company is on pace to reach its production of 120,000 kilograms per year by the end of 2019. Once all its current projects are done, however, that could shoot way up to 630,000 kilograms per year!

The problem? Those projects have cost the company a *lot* of money and [diluted shares](#) in the process. Most recently, it announced it would be expanding its facility in Alberta by 33% to 1.62 million square feet.

Another side of the projects are the company's acquisitions, which seems to happen almost constantly. In the past week, it announced a new merger with **Hempco** for about \$63.4 million. In the last year, Aurora has acquired a number of companies such as MedReleaf, CanniMed, and Farmacias Magistrales, just to name a few. This has cost the company about \$3.5 billion in acquisitions alone.

Granted, the company is now set up to start pumping up production on a global scale. In fact, its most recent news made **Bank of America** change the company's status from a "hold" to a "buy," stating the company is "one of few truly global companies in the cannabis sector."

## What should you do?

Honestly, these companies remain in the top spots among cannabis companies, and if you own either, I would just hold on for now. Both are in a transition phase that could see some huge payout, and I think it's too early to make any calls about either company's future.

But if I'm buying either stock right now, I'd personally buy Aphria. It's completely undervalued and has the potential to really shoot up in the short term. For a long-term buy and for around the same price per share, I'd buy Aurora. This company's production cost per 100 grams of marijuana is going to be so small, it's going to blow other companies out of the water. So, really, depending on what you want, you can't go wrong here.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Cannabis

## 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. Cannabis Stocks
2. Investing

## Tags

1. Cannabis

## Date

2025/07/05

## Date Created

2019/04/21

## Author

alegatewolfe

default watermark

default watermark