



## Better Buy: Aurora Cannabis (TSX:ACB) vs Aphria Inc. (TSX:APHA)

### Description

The battle to win investors over in the cannabis space hasn't weakened. Actually, it has become a war of attrition. Production king **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) should be a shoe-in for market leadership. But can **Aphria Inc.** (TSX:APHA)(NYSE:APHA) slay the giant?

Cannabis producers are still in the limelight despite disappointing bottom line results. The top-tier, middle rung, and lower-tier industry players are on the level field right. All of them need to convert their exponential revenue growth into "real" profits. Investors are waiting grudgingly.

### The pitch for Aurora Cannabis

The euphoria after enactment of the *Cannabis Act* last October quickly subsided because of supply shortages and the delayed opening of retail cannabis stores. But these problems somehow favour Aurora Cannabis. Being the largest cannabis producer, the company is expected to deliver during crunch time.

Aurora Cannabis reported sales of nine metric tons of marijuana during the fiscal third quarter. Production nearly doubled toward the end of the quarter as total harvest reached 15,590 kilograms. Overall, the Aurora Sky and Bradford facilities would yield an annual production output of 150,000 kilograms.

Based on their earnings report, net revenue rose 20% quarter-over-quarter amounting to \$65 million. Recreation sales also grew by 37% versus the previous quarter. Still, Aurora incurred \$158-million loss in the quarter ended March 31, 2019. The company managed to cut the prior quarter's losses by 33.6%

Analysts see Aurora Cannabis treading the [right path to profitability](#). If Aurora Sky will continue to scale development at Aurora Sky, then gross margins could jump to 60% if not more. By this quarter's end, total production would reach 25,000 kilograms.

In terms of stock performance, APHA is up over 72.12% year-to-date. With an estimated sales growth

of +541.40% this year, analysts are forecasting a price appreciation of +41.4% or \$16.50 at best. Aurora Cannabis is taking it one step at a time. Also, there is no impetus to rush into cannabis drinks. They know the right time will come.

## Doomsday for Aphria?

It would be a pity to see Aphria losing steam. After recovering from a hostile takeover bid and short-selling allegations, the company was able to regain its bearings. APHA is up over 20.14% year-to-date and earlier this month, analysts are projecting as much as +175% stock price gain. The company has the makings of a giant slayer. However, another controversy is emerging.

Negative publicity has always put Aphria's plans on hold. President Jakob Ripshtein has resigned and is heading for the exit door next month. This is a major blow indeed. Aphria can't afford another issue that could frighten investors. A downtrend might develop from here.

With the fate of Aphria hanging in the balance again, the risks are higher. The [loss of the topmost executive](#) with extensive experience in the beverages industry dimmed their chances of penetrating the upcoming cannabis-infused beverage market.

Aurora Cannabis is a clear winner between the two weed stocks. The company will stand tall in the near-future, while Aphria might be crawling on its belly hoping for a white knight to rescue them.

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