
# Tilray (NASDAQ:TLRY) vs. Aphria (TSX:APHA): Which Marijuana Stock Is Riskier?

## Description

Marijuana stock trading has made many millionaires during the past few years. Investors who'd jumped in this trade early made killings, as the companies benefited from global interest in this growing industry.

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But with winners, this space has also produced plenty of losers who got stuck when short-sellers pounced on weak marijuana companies. No doubt this industry has a lot of potential, as the use of both medical and recreational cannabis grows and more countries legalize it.

But that being said, there are many pot stocks that are highly speculative, and investors should be very cautious while buying those stocks. Here are two names that fall into this category.

# Tilray

The price chart of **Tilray** (NASDAQ:TLRY) stock shows that the crazy rush, which pushed this top marijuana stock to $300 a share last year, has ended. Its stock is down more than 40% this year, massively underperforming other players.

One big negative factor that hit the stock this week is the company's announcement that it won't generate positive earnings for at least another year, as it spends on the U.S. CBD market and other opportunities.

Analysts were originally expecting the Nanaimo, British Columbia-based cannabis producer to achieve positive earnings by the end of 2019, but that stage won't reach until 2020 at least.

Despite this short-term setback, the U.S.'s legalization of hemp and hemp-derived CBD in December has created new opportunities south of the border for Tilray, but that means more investment into future growth.

Tilray acquired hemp-food manufacturer Manitoba Harvest and partnered with Authentic Brands Group earlier this year; it expects both to begin selling non-intoxicating cannabidiol products in the U.S. in the back half of 2019.

The U.S. is the market where recreational marijuana is currently legal in 10 states, and many now see federal U.S. legalization as inevitable within the next five years.

## Aphria

**Aphria** (TSX:APHA)(NYSE:APHA) has been through a lot in the past year. This marijuana producer has faced a powerful attack from a short-seller, and it successfully battled a hostile takeover bid.

The latest bearish spell began when the company reported disappointing earnings for the quarter ended Feb. 28. The report included a significant reduction in gross margin to 18% from 47% in the prior quarter and a decrease in kilograms sold.

This was partly due to packaging and distribution challenges in the early days of Canada's legal recreational pot market and a transition to new growing methods.

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This situation is unlikely to improve, according to Aphria, as it invests in automation and the development of new growing facilities. The company expects to earn $1 billion in annualized revenue by the end of calendar 2020, up from an estimated $218 million in the fiscal year ended May 31.

## Bottom line

Both Tilray and Aphria are risky bets in the marijuana space, and conservative investors should stay away from buying these stocks. But if you have more appetite to take risks, then I would prefer Tilray over Aphria due to the company's clear focus on the U.S. market and the potential for exponential growth.

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