



Is Charlotte's Web (TSX:CWEB) a Better Buy Than Aurora Cannabis (TSX:ACB)?

Description

Competition in the cannabis industry is growing, and it's getting even harder for industry leaders like **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) to hold their positions. With a market cap of around \$10 billion, Aurora is definitely one of the highest-valued stocks in the markets, but whether it will stay that way is the big question.

Let's take a close look with how the company compares against **Charlotte's Web Holdings** ([TSX:CWEB](#)), which [recently listed on the TSX](#).

Recent performance

Aurora is coming off a Q3 where its sales reached \$65 million, [which was still short of expectations](#). For the trailing 12 months, the company's revenues are now at around \$168 million, which is significant growth considering sales for fiscal 2018 were just \$55 million and \$18 million the year before that. However, it's been the bottom line that has been the issue, with Aurora incurring net losses of \$211 million over the past four quarters. And with lots of expansion on the way, it could get a lot worse before it gets better.

In its most recent quarter, Charlotte's Web posted sales of US\$22 million, putting its total for the last four periods at US\$78 million, or about \$104 million after conversion. It's well off of Aurora's pace, but a key difference is that Charlotte's Web has been able to post profits in each of its past four quarters. While they haven't been particularly large, the company has even been able to post a positive operating income figure as well.

Strategy and overall potential

The two companies are deploying vastly different strategies from one another. Aurora is focusing on the global market with a presence in dozens of countries, with Canada playing a big role in that. While the company is looking to deploy a hemp strategy for the U.S., it's going to be well behind Charlotte's Web, a company that's already dominating that space. With its products already in thousands of

locations across the country, Charlotte's Web's strategy has focused on hemp, and it's proven to be a very strong one thus far.

Overall, Charlotte's Web certainly has the edge here. Not only has it generated strong growth, but it's more focused than Aurora's and has been profitable as well.

Valuation

Although Charlotte's Web has had fewer sales than Aurora, it trades at around 21 times its revenues, which is far less than the multiple of 61 that Aurora's stock trades at. In terms of valuation, it's clear that Charlotte's Web provides investors much better value for their money today.

Bottom line

Aurora may be ahead of Charlotte's Web based on sales, but that could change a year from now, as hemp has been taking off in the U.S. and could lead to even more growth in that segment. And with a more sustainable business model that's provided stronger financials, it's hard not to give Charlotte's Web the edge, especially with its valuation being much more attractive overall.

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