Is Aurora Cannabis (TSX:ACB) a Steal at Under $10?

Description

Investors haven't been very bullish on marijuana stocks lately, and that could mean there might be some deals out there today. **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) has seen only modest single-digit returns over the past year, as it has taken investors on a bit of a roller-coaster ride. However, with rival **Canopy Growth** (TSX:WEED)(NYSE:CGC) no longer having Bruce Linton to help steer the ship, it could be a great time to load up on Aurora's stock. Let's take a closer to look to see if it's a good buy at around $10 or less.

Sales growth has been strong and not too far behind Canopy Growth

Over the past 12 months, Aurora's sales have climbed to $168 million, and during that time the company has incurred losses of $211 million. However, in two of the past four quarters, Aurora has been able to stay in the black. In its most recent earnings report, the company benefited from $16 million in fair-value gains.

Canopy Growth, meanwhile, lost $685 million on sales of $226 million over the trailing 12 months. With about 34% more in sales than Aurora, the gap is not as big as the disparity in market cap would have you believe, as Canopy Growth often trades at more than double its valuation. Certainly, there are intangibles and other factors that drive up the value (like Canopy Growth being the industry leader and having some advantages, such as its strong brand and the personnel it has involved with the company), but for the valuation to be more than double seems a bit high.

If we look at multiples to sales, Aurora trades at around 60 times the revenue it generated over the past year, while Canopy Growth is over 75. Both multiples are very high, but they suggest that Aurora may not be overpriced at all, especially in comparison to its strongest competitor.

Opportunity for Aurora to take advantage

Initially, having a partner like **Constellation Brands** gave Canopy Growth a big advantage over its peers — a partner with a lot of capital and the experience to help navigate the beverage segment certainly seemed like a big positive for the cannabis company. However, in light of recent events, it might be that Aurora is better off without a partner that might put pressure on its operations. Instead, Aurora has the potential to be more aggressive and take advantage of opportunities that Canopy Growth might now be more timid of, given its focus on improving profitability.

If Aurora takes a page out of Canopy Growth's old playbook, it could be what the stock needs to get going to help show that the company is serious about being the top pot stock in the industry. If it does, it would certainly be a good deal at its current price.

Bottom line

There's an opportunity for Aurora now to show to investors why it can be a better buy than Canopy Growth, and that's going to be crucial in getting the markets excited about the stock. There's definitely reason to believe that Aurora can rise in value from where it is today, but it's going to need at least one big move to get the stock going again. If you can buy the stock for under $10, it could prove to be a great buy.

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