Forget Aurora Cannabis (TSX:ACB): This Could Be a Much Safer Pot Stock to Invest in

Description

Aurora Cannabis (TSX:ACB)(NYSE:ACB) may be one of the top stocks in the industry, but that doesn't mean that it's the best investment that cannabis investors can make today. Although the company has been showing strong sales growth in recent quarters, it has also incurred losses of around $400 million over just the past two quarters. Now more than ever, cannabis investors are paying close attention to not just sales numbers but profits as well.

Pot stocks have been struggling lately, and although Aurora is up year to date, since February the stock has been down. In the past few months, we've seen a lot of bearish activity surrounding the industry. Cannabis investors are demanding more substance from companies before investing their hard-earned dollars in them, especially given the recent **CannTrust** scandal underlining just how much risk there is in the industry.

That's where a company like **OrganiGram Holdings** (TSXV:OGI)(NASDAQ:OGI) could have a lot of value with investors. Unlike many of its peers, its financials have been very strong. The company is coming off a record quarter where its sales hit $25 million, showing terrific growth of more than 600% from the prior year. And had it not been for the company incurring fair-value losses of $12.5 million, it could have easily ended up with a profit as its net loss for the quarter was $10.2 million.

What's encouraging is the company's ability to control costs. Despite the significant increase in sales, expenses didn't outpace revenue growth and left a lot of room for incremental revenue to flow through to the company's bottom line. That's what investors should come to expect from well-managed companies, that more sales should lead to a stronger bottom line, not the opposite. Unfortunately, that's what we've come to expect with many marijuana companies, as excessive spending has often sent their financials deep into the red. And that's likely a key reason why Bruce Linton was let go from his position at **Canopy Growth**, because the company's financials had gone from bad to worse.

Another positive for OrganiGram is that it hasn't been burning through a lot of cash, and when it has been doing so, it's been to help fund its inventory. Over the past nine months, the company has spent more than $49 million on inventory. Without such a hefty expenditure, the company's cash flow from operations would have been positive during that time. And without excessive cash burn, a company's need to raise capital lessens, resulting in less debt and equity issues.

Bottom line

Cannabis investors are on high alert knowing that the industry is definitely a lot more fragile today than it was a month ago. However, there are often signs of a good company versus a bad one, and being able to control costs is certainly one of them. That's what makes OrganiGram an appealing option for investors today. With strong numbers and the potential for the company to produce a positive net income in future quarters, it could find itself in demand, as investors look for safer investments in the cannabis industry.

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