



1 Explosive Weed Stock to Buy Instead of Aurora Cannabis (TSX:ACB)

Description

The cannabis industry is thriving, and the market is evolving faster than any industry sector. Regulations are in place, while more are certainly forthcoming. But the market is wracked by various concerns. They range from supply shortages, distribution bottlenecks, and even shake-ups at the top levels of management.

The situation is baffling investors and even upsetting to some. In a way, it gives the impression that the marijuana boom is [a figment of the imagination](#). Cannabis companies are promoting brilliant ideas that aren't really realizable. However, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) is an exception.

The success of Aurora Cannabis

On the whole, Aurora Cannabis is a cannabis firm with the largest potential annual production capacity. The company will capitalize on this unrivaled advantage to gain the largest market share from sales of legalized marijuana.

Further, Aurora will be instrumental in solving the supply shortages. But the company will also be a major contributor to the oversupply. The market itself will dictate the prices. Even with depressed cannabis prices, Aurora is better positioned to win big from edibles and extracts that have higher profit margins.

Aurora has already achieved success, as evidenced by the 21% growth in quarter-over-quarter sales. The company also built an empire in six years, which covers 24 countries in five continents. Momentum is clearly on Aurora's side, and that motion will continue in the next decade.

The rise of Cronos

Aurora Cannabis's strategic advisor and billionaire investor Nelson Peltz is warning management to resist the temptation of giving up significant ownership to other parties. Peltz was probably pertaining to **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)).

The leading cannabinoid company yielded 45% stake to **Altria Group**. Cronos CEO Mike Gorenstein defended the move, saying, "The \$1.8 billion received from Altria will enable us to more quickly expand our global infrastructure and distribution footprint, while also increasing investments in R&D and brands that resonate with our consumer."

While the tobacco maker, can the increase the stake to 55%, Cronos is not restricted from taking in investments from other companies. With a prospective investor like a major food company, Cronos can compete with Aurora Cannabis. The company could end up as the eventual winner.

Which marijuana stock is the better buy?

Choosing the best-in-class stock in the cannabis space is a dilemma for investors. Both Aurora Cannabis and Cronos have plenty of upside potential. Regrettably, Cronos is reporting higher revenue but disappointing growth.

Sooner than later, Altria might begin to question the nitty-gritty of the business. Sales increased by 248% but with a corresponding net loss of \$11.61 million. For example, operating expenses have quadrupled while the gross margin fell sharply. Peltz's might be right to warn Aurora Cannabis about giving up majority ownership.

Meanwhile, Aurora Cannabis is reaping the harvest with net earnings surpassing the top-line revenue in 2018. The company has been unrelenting in building scale. Once the industry-leading 700,000 kilograms annual production target is achieved, rivals will be left behind.

Aurora is already flexing muscles, while Cronos is still building its own muscles. The company needs to do more to be in [the league of Aurora Cannabis](#). I would recommend ACB over the inferior marijuana stock.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis
2. Editor's Choice

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2. NASDAQ:CRON (Cronos Group)
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