



Better Buy: Aurora Cannabis (TSX:ACB) vs. CannTrust (TSX:TRST)

Description

It's been a brutal summer for weed stocks. After opening the year on a high note, the marijuana sector began tanking in May with no end in sight.

Although the month of May was a weak one for the markets overall, marijuana stocks were among the hardest hit—and they continued falling after other equities began to recover in June.

If you're going to invest in weed stocks right now, it pays to tread carefully. Now that marijuana producers' fates are beginning to diverge, it's more important than ever to pick the right ones.

Enter **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB) and **CannTrust Holding Inc** (TSX:TRST)(NYSE:CTST). Two of the most talked about marijuana stocks at the moment, they're top of mind for many investors, yet they couldn't be more different.

As you're about to see, Aurora and CannTrust have taken completely different approaches to growth in the nascent marijuana industry. In this article I'll be exploring which is the better buy.

Aurora Cannabis

Aurora Cannabis is a massive weed producer with global ambitions. It has a total productive capacity of [over 700,000 kilograms annually](#) and operates in 14 different countries. Investing in all that international infrastructure is expensive, so it should come as no surprise that Aurora lost money in its most recent quarter (\$158 million to be precise).

However, with all that spending comes a *lot* of growth: in the same quarter, the company grew its net revenue by 305% year-over-year.

By scaling its operations, Aurora is becoming more and more efficient. In its most recent quarter, cost per gram sold declined to just \$1.42—much lower than many of its competitors. This bears well for the company's future should it be able to get costs under control.

CannTrust

Compared to Aurora, CannTrust has been less focused on international expansion and more involved with its domestic operations. Because it had been investing much smaller sums than Aurora on growth, it was for a time one of the few consistently profitable marijuana companies.

Recently, it has been spending more on expansion, and has swung to losses. However, the company's investments have resulted in more rapid growth.

CannTrust's cost-per-gram is much higher than Aurora's, at \$3.03. This indicates that Aurora's operations are more efficient. Aurora is also growing revenue much faster than CannTrust is—the latter company grew at “just” 115% year-over-year in its most recent quarter.

However, the biggest hurdle CannTrust is facing at the moment is its [regulatory drama with Health Canada](#). After the company was caught producing weed in unlicensed rooms, a hold was placed on 5000 kilograms of its inventory.

Although the company can still grow and produce weed, the hold represents a significant percentage of the company's total output—so earnings will almost certainly take a hit. Additionally, increased regulatory scrutiny could cost the company even more going forward.

All in all, you're probably safer buying Aurora Cannabis than CannTrust right now. However, because TRST stock has gotten so cheap, it may enjoy some upside if the Health Canada stuff blows over.

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