



## Could Aurora Cannabis (TSX:ACB) Have an Aphria (TSX:APH)-Like Earnings Surprise up its Sleeve?

### Description

Just like that, the cannabis industry is hot again, with most pot stocks roaring higher on Friday, despite a rough end to the week with less-than-dovish commentary from the Fed and fresh tariffs slapped on by President Trump to go with threats of retaliation from China — same old, same old.

The wave of optimism that spread across all pot stocks was thanks to **Aphria** (TSX:APHA)(NYSE:APHA), which clocked in an incredible and surprising earnings beat, sending shares of Aphria soaring over 40% in a single trading session.

At a time when the industry has been plagued by controversy with the **CannTrust Holdings** fiasco that's been unfolding in recent weeks, a huge upside surprise was precisely what the doctor ordered for the ailing cannabis industry that seems to be retreating by default.

Add the recent ousting of **Canopy Growth** ex-CEO Bruce Linton and concerns over the firm's profitability into the equation, and you've got the perfect storm that'd be enough to inspire fear in all but the most contrarian of investors.

As Warren Buffett once said, you need to "be fearful when others are greedy and greedy when others are fearful." If you took his piece of advice in the crazy world of marijuana, you would have found yourself backing up the truck on the industry that's in deep bear territory.

While Aphria's surprise earnings beat was indeed remarkable, I think the highly efficient business model isn't just unique to the firm itself. Now that we're nearing the end of year one of legalization, investors expect more than just cash bleed and promises of future growth — they want to see progress on the profitability front. If a nascent industry is to make the jump, some fundamentals are going to need to take hold because in the end, it'll be the earnings that'll dictate the trajectory of a stock — not speculation on the occurrence of unforeseen events.

Aphria has set the new high bar to jump, and I think **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) could be the next company to pole-vault over it. Aurora Cannabis isn't just focused on growing as much

weed as it can over the shortest possible time.

Like Aphria, Aurora is all about increasing crop yields through the use of innovative cultivation techniques, but, more importantly, Aurora has demonstrated an encouraging trajectory of late.

In the first quarter, Aurora beat on earnings and its tripled sales numbers. With a growth strategy poised to profit from the success of international markets, Aurora could see its top-line numbers continue to fly higher as further efficiency improvements are made at the operational level.

Although pundits claim Aurora isn't the same investment calibre as the likes of a Canopy or **Cronos Group**, both of which have secured big-league investors, I'd argue that the lack of such a dance partner is an advantage for investors who are looking to jump in today. In a prior piece, I noted that hedge fund manager Nelson Peltz's strong disapproval for "selling shareholders short" with a potential sell-out to a behemoth of a firm.

"If the cannabis industry continues growing at this triple-digit rate, it'd prove to be an unwise move to take the first big offer that comes rolling in. Instead of buttering up for an acquisition, Battley and company are focused on [growth and innovation](#)." I said in a prior piece.

Sure, Aurora does things differently, but I think it has the potential to leapfrog Canopy and Aphria, as it invests heavily in growth initiatives with consideration for the bottom line as well. Aphria shows that there's still a lot of gains to be had in the industry. Aurora, I believe, is where the puck could be headed next.

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