Could This Tiny Marijuana Stock Be a Better Bet Than Aurora Cannabis (TSX:ACB)?

Description

Aurora Cannabis (TSX:ACB)(NYSE:ACB) had another terrible week, falling 7.9% between Monday and Thursday. It wasn't the first losing week for the stock, which is down 19% year to date and 58% from its 52-week high. Although the recent news out of Aurora hasn't been entirely terrible — with high growth and shrinking losses being positive points — it evidently hasn't been taken well by investors.

On November 11, Aurora will release its Q3 earnings report, which could provide clarification on whether the company will keep up its growth and continue reducing its losses. Until then, investors may want to hold off on buying this stock, which the markets are still unsure about. In the meantime, there's a smaller marijuana company that has performed better than Aurora this year that may have upside.

Organigram Holdings

Organigram Holdings (TSX:OGI)(NASDAQ:OGI) is a small licensed producer (LP) that produces cannabis flower, oils, and edibles, and sells vaporizers. The company's focus on vaporizers is relatively unique among cannabis companies, many of which produce vape-friendly oils but do not sell the hardware to smoke them. The "Volcano" vaporizer was popular long before cannabis legalization was even considered and is approved by Health Canada for use by medical patients. Having a partnership with the manufacturers of the Volcano could be a key asset for Organigram.

As we saw from the **CannTrust** scandal, regulatory problems are a real threat for cannabis growers. It's therefore encouraging for OGI investors that these vape products have received Health Canada's blessing in advance.

In terms of earnings, Organigram is more of a mixed picture. The company has produced profits in past quarters and posted positive net and operating income for the full 2018 fiscal year. However, the apparently good 2018 results were largely thanks to an increase in the fair value of biological assets; without that factor, they would have been much worse. In the company's most recent quarter, it lost

$10 million in GAAP terms while earning $7.7 million in adjusted EBITDA.

Why it could be better than Aurora

The main reason that Organigram could be better than Aurora is because it has been experiencing more pronounced growth and has a better track record of profitability. In its most recent quarter, Organigram grew its revenue by 620% year over year compared to 416% for Aurora. The company has also had many quarters of positive net and operating earnings. Organigram has also more than tripled its list of registered clients since 2017, which shows that its customer base is growing considerably. Aurora, however, is beginning to mature as a company and has less room to grow.

Some risk factors

Like all cannabis companies, Organigram has its risk factors. Most notably, it lost money in its most recent quarter, and its losses are growing over time. In this respect, it's doing worse than Aurora, whose losses have actually been shrinking. However, Organigram is growing much faster than Aurora and has a better long-term track record of profitability. I wouldn't buy either of these stocks, but between the two, OGI may be a better short-term bet.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:OGI (OrganiGram)
3. TSX:ACB (Aurora Cannabis)
4. TSX:OGI (OrganiGram)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date
2025/08/24
Date Created
2019/10/12
Author
andrewbutton