Why This Stock Could Be a Better Bargain Than Aurora Cannabis (TSX:ACB)

Description

Aurora Cannabis Inc (TSX:ACB)(NYSE:ACB) has taken a beating over the past 12 months, losing more than 40% of its value during that time. You have to go back around two years for the last time that the stock traded this low.

And yet, a great deal has changed since then and the company has grown a great deal. Not only does Aurora have a presence in many countries worldwide, but it's also generated more than $168 million in sales over the past four quarters.

The cannabis company has come a long way, and with the launch of the cannabis 2.0 market right around the corner, the next 12 months could continue to build on its impressive growth.

Unfortunately, it's the company's lack of profitability has been weighing on investors, with losses totalling $211 million over the past four quarters sticking out like a sore thumb for many potential buyers. Coupled with that and a lack of cash flow garnering more of the spotlight lately, it's no wonder the stock been beaten up so badly.

Smaller cannabis stock could generate better returns

As badly as Aurora has performed over the past year and as cheap as the stock may seem, trading at 20 times its sales, it may not be the cheapest buy for cannabis investors today. **Namaste Technologies Inc** (TSXV:N) is at a market cap of around $130 million and is still a relatively smaller player on the cannabis stage.

With a price-to-sales ratio of just seven, investors are paying even less of a premium to own Namaste. While it definitely has less brand recognition than Aurora, it still has a lot of potential to rise in value, perhaps even more.

One of the benefits of investing in a smaller stock is that there’s a lot more upside for investors to benefit from. Entering the week trading at just $0.40 at writing, it wouldn’t take a lot for Namaste to double or even triple in value, and it could still be a cheap stock to own.

Similar to Aurora, Namaste has also struggled with profitability, albeit its losses have not been early as significant. During the first six months of the fiscal year, Namaste accumulated $19 million in losses.

While it’s still an issue, without the breadth of operations that Aurora has, there’s much more room for Namaste to be able to control its costs.

Significant growth potential for CannMart

The stock could be poised to generate some good growth over the years through its website, CannMart, which provides cannabis consumers options to purchase medical marijuana products and accessories online.

In September, the company announced that it would be adding hemp-based skin care products as well. With the growing popularity of CBD wellness products, it’s a terrific opportunity to take advantage of what’s becoming the next big health craze.

Namaste has also recently received its first order from a government agency, when the BC Liquor Distribution Branch ordered pre-rolled cannabis on the CannMart site.

As Namaste builds up its reputation for quality cannabis, there will be ample room for the company to grow its sales. Like Aurora, CannMart could also see some explosive sales from the 2.0 market, as in October, it received approval to offer cannabis oil concentrates on its website, which will enable it to sell even more products and reach more consumers.

With plenty of growth in the works, Namaste could benefit from significant success from the growing popularity of CannMart, which could send the stock soaring over the next 12 months.

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