



Why This Pot Stock Could Be a Better Buy in 2020 Than Aurora Cannabis

Description

Cannabis investors have the opportunity to start fresh in 2020 with many pot stocks trading at reduced valuations. **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB), for instance, has lost more than 60% of its value since the start of the year; as well, things may not get a whole lot better for the stock in the coming year.

There's a lot of pressure on the company not only to perform and continue growing, but also to get closer to breakeven as well.

With Aurora likely needing to issue more shares to fund its operations in the coming year, there could still be some significant headwinds that send the stock spiralling even lower in 2020.

This pot stock could be a more appealing option

Investing in a stock that's flying under the radar may be a much better move for investors. **Fire & Flower** ([TSX:FAF](#)) is an attractive option, as the retail pot stock has lost 40% of its value in 2019 and it could be in a much better position to recover than Aurora will be.

For one, the company received a big vote of confidence from **Alimentation Couche-Tard Inc** (TSX:ATD.B) earlier in the year, when the convenience store giant [invested in the company](#).

Fire & Flower's ability to tap into Couche-Tard's expertise and skill set will help the cannabis retailer in the growth and development of its pot shops across the country.

The rollout of the pot retail market in Canada wasn't a smooth one in the first year of legalization, and with more stores being open and edible and ingestible products likely to increase traffic to pot shops, there are many reasons why Fire & Flower's sales could get a boost in the coming year.

In the company's most recent quarter, Fire & Flower recorded \$13.7 million in sales and also generated a profit of \$10.2 million.

From a valuation perspective, Fire & Flower also provides investors with more bang for their buck. At a price-to-sales (P/S) ratio of just 2.5, the stock is trading much cheaper than Aurora, which has a P/S multiple of 9.5.

With much sales growth likely to come in 2020 as a result of the new cannabis 2.0 market in Canada, Fire & Flower could look even cheaper very soon.

Cannabis producers may not be worth the risk

As the retail pot stock continues to acquire more retail locations and expand its presence across the country, the more opportunities there will be for Fire & Flower to grow.

Unlike Aurora, however, it doesn't have to worry about the problems that come with producing cannabis such as getting the growing conditions just right, holding too much inventory and having to write it down if it sits for too long.

Fire & Flower doesn't have the significant overhead that's going to be tied to having many growing facilities up and running.

Many of the biggest risks in the industry will be experienced by cannabis producers. The retail business is by no means easy or cheap, but Fire & Flower's business is going to be a safer option for cannabis investors.

Bottom line

Investing in cannabis remains [risky](#), but investors can minimize those risks by choosing stocks that trade at modest sales multiples that will need fewer cash needs in the coming year.

That's why by having a simpler business model that isn't stretched across the globe, Fire & Flower looks to be the safer bet heading into 2020.

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