



Aurora Cannabis's (TSX:ACB) Stock Price Underperforms CannTrust Holdings's (TSX:TRST)

Description

After a heavy beating in 2019, when cannabis firms' shares fell 80% from their peak valuation to less than \$2.80 at year-end, **Aurora Cannabis's** ([TSX:ACB](#))(NYSE:ACB) stock price hasn't performed any better so far in 2020. Some investors may wish they had invested in an embattled **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) in January this year instead.

During the first 20 days of 2020, a deeply troubled CannTrust, which is generating no revenue, burning cash, and fighting for its business licences to be reinstated while praying against the prospect of being delisted from the TSX and NYSE exchanges this year, has significantly outperformed one of the leading marijuana stocks on the planet.

TRST's share price has risen by 30.83% so far this year, while ACB remains 1.04% in the negative, even after a recent [uplifting quarter from Organigram Holdings](#) pulled most industry names into the positive.

Why is Aurora down?

The company has one of the weakest balance sheets in the industry today and perceived cash woes in the near term exacerbate fears of massive shareholder dilution at a time when industry valuation multiples have significantly gone down.

Industry analysts came out all guns blazing to bash Aurora with downgrades, with some professionals touting a horrific \$1 price target on the New York Stock Exchange to trigger several days of selloffs on the ticker.

It's not like the analysts were wrong, though.

The company may be one of the largest in Canada in revenue-generation terms today, but a sales halt in Germany could wipe off some desired margins during a time of declining prices in the recreational pot space.

I'm not very convinced that the firm could outperform competitors in the new Cannabis 2.0 edibles market without the competitive edge from high-level partnerships with strong brand creators that **Cronos Group** shares with **Altria Group**, **Tilray** shares with **Anheuser-Busch InBev**, and **Canopy Growth** enjoys with **Constellation Brands**, while **HEXO** has forged partnerships with the likes of **Molson Coors Canada** for the same market.

Further, the sudden exit of Cam Battley, one high-ranking executive who was arguably the face of not only the company but the industry, could have slightly weakened investor faith, too.

Can Aurora shares recover against CannTrust stock this year?

TRST [is in a recovery mode](#) after revealing in December that the company could be back in compliance with Health Canada's requirements within the first three months of 2020.

If the regulator is satisfied with remediation efforts and reinstates the company's business licences this quarter, then shares could vigorously sky rocket this year to outperform the whole industry.

At the moment, CTST shares have already beaten most marijuana industry peers, save for a fired-up Organigram's 32% return (year to date) generated after reporting strong quarterly results on January 14.

That said, investors' hopes had surged upon rumours of a **Coca Cola** deal, the subsequent engagement of deal maker Nelson Peltz in March 2019 as a strategic advisor, and the employment of a proven former investment banker in April that year that could have powered new deals and partnerships, but to this day, we are still waiting for the company to undergo the massive transformation from a big strategic partnership or two.

Aurora shares could violently rise again if a new deal is announced, even at the expense of further dilution.

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