



Better Cannabis Buy in 2020: Aurora Cannabis (TSX:ACB) Vs. Tilray (NASDAQ:TLRY)

Description

While cannabis stocks were decimated in 2019, they have regained some lost ground this month. Investors and analysts were buoyed by [strong quarterly results](#) of **OrganiGram**, which drove several stocks higher last week. However, it remains to be seen if pot companies can continue to beat analyst estimates in their upcoming results.

A lot of marijuana producers will benefit from a strong demand for Cannabis 2.0 products. There is also the possibility of several retail stores opening in Canada's Ontario province, which will drive up demand for pot products.

It is almost impossible to time the market, and the staggering decline witnessed in the cannabis space last year provides as good an opportunity, if any, to buy marijuana stocks.

Aurora Cannabis is valued at \$2.9 billion

Shares of Canada's marijuana heavyweight **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) have a market cap of \$2.9 billion. It has debt of \$800 million and a cash balance of \$192 million, which means Aurora's enterprise value stands at \$3.49 billion.

Analysts expect Aurora's sales to rise by 53.9% to \$381.64 million in fiscal 2020 and by 74.5% to \$666 million in fiscal 2021. This means the stock is trading at a market cap-to-forward sales ratio of eight, which seems a reasonable multiple for a growth stock. Aurora's price-to-book ratio of 0.60 also makes it an attractive pick for value investors.

In the last 12 months, Aurora stock has fallen 67% and is currently trading at \$2.60, which is 81% below its 52-week high.

Tilray ([NASDAQ:TLRY](#)) have a market cap of US\$2.1 billion. It has a debt of \$437 million and a cash balance of \$167 million, which means Tilray's enterprise value stands at \$2.4 billion.

Analysts expect Tilray's sales to rise by 306.3% to US\$175.23 million in 2019 and by 76.4% to US\$309.3 million in 2020. This means the stock is trading at a market cap-to-forward sales ratio of 12. Tilray's price-to-book ratio stands at 5.06, while the price-to-sales ratio is currently 16.5.

We can see that Tilray shares are trading at a higher multiple compared to Aurora Cannabis. But Tilray is also growing sales at a higher rate and is bound to trade at a premium.

In the last 12 months, Tilray stock has fallen 71% and is currently trading at US\$21.1, which is 77% below its 52-week high. Tilray stock went public at \$17 per share in July 2018. It then reached a record high of \$300 in intra-day trading in September that year before losing considerable market value. Now the stock is trading 20% above its IPO price.

Will marijuana stocks rise in 2020?

In case pot stocks stage a recovery this ever, investors can place their bets on these two cannabis giants. In 2017, Aurora stock [gained an impressive 400%](#) and drove several other pot stocks higher that year.

As mentioned earlier, a lot will depend on the earnings of large marijuana companies. In case they manage to beat Wall Street estimates and provide strong guidance, the stocks will begin their upward spiral.

A strong guidance will also mean an increase in overall demand, which will result in lower inventory levels and an increase in profit margins. Aurora stock has been flat, while Tilray is up 30% in 2020. Will they crush market returns or fall to historic lows in 2020?

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