



Should You Buy Canopy Growth (TSX:WEED) or Aurora Cannabis (TSX:ACB) Stock Before Earnings?

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) will both release their earnings reports in February. Aurora will report its results on February 13, while Canopy will report just a day after.

When a company reports earnings, its share price can become very volatile. If the company beats estimates, its shares can jump, while shares can plunge sharply if results miss estimates. Therefore, you can gain much on a stock that you think will beat estimates by buying it before its earnings release date.

Should you buy Canopy or Aurora before they release their earnings? Let's see.

Canopy Growth

Canopy stock surged on January 28 after BMO Capital Markets raised its official rating from "market perform" to "outperform". The company also raised its [target price](#) to \$40 from \$25, which represents a potential upside of 40%. But the average price target is only \$30.82, which is only a 3% upside. Canopy's 52-week range is \$18.23 to \$70.98. Trading around \$30, shares are still far from their 52-week high.

For the next quarter, analysts expect on average revenue growth of 25% to about \$104 million for Canopy, but expect a loss of \$0.48 per share, a decline of 26.3% year over year.

Canopy announced a few days ago that it is postponing the launch of cannabis-infused drinks. The company originally planned these drinks to be on store shelves in early January to coincide with the arrival of other cannabis-derived products.

Canada authorized the second wave of products such as edibles, extracts, and topicals to hit the market in late 2019, about a year after the legalization of recreational cannabis.

Chocolate, cookies, candy, tea, and cannabis-infused vaping products have been available on the Ontario Cannabis Store's website since January 16, and in its physical stores across the country the

week before.

The reason that Canopy gave for the delay is that it will take longer to develop its beverage installation and the adaptation process is not over. The company wants to deliver products that meet its customers' high standards.

Canopy has support from **Constellation Brands**, a New York company that invested \$5 billion in Canopy in 2019. Its brand portfolio includes Corona beers and Robert Mondavi.

Canopy doesn't think the delay will have a material impact on its fiscal 2020 revenues. It said it plans to provide an update when its third-quarter results are released. But even if the impact on sales is small, it will likely have a negative impact on the stock, so I would stay away from Canopy until the situation improves.

Aurora Cannabis

Now trading below \$3, Aurora Cannabis has lost 80% of its value from its 52-week high of \$13.67, which was reached on March 19, 2019. The average price target is \$5.14, which represents a 105% upside.

For the next quarter, analysts expect revenue on average of about \$81 million, which is about 50% higher than the same quarter a year ago. A loss of \$0.06 per share is expected, which is still an improvement of 76% from the loss posted a year earlier.

Faced with an oversupply of legal products and strong [illegal competition](#), Aurora has spent the past few months cutting back its production.

Once considered the largest producer in the industry, Aurora has halted production of a grow house in Denmark and at its main facility in Alberta. The pot company has also put up for sale another facility located in Ontario.

Aurora continues to purchase other pot-related companies, including producers in Europe and Uruguay.

The company believes 2020 could be a better year. It thinks it can cut its overhead costs, which were a third more than its sales in the last quarter, and make a profit.

With all the problems going on with Aurora, I think it's too risky to buy shares now. There are much better opportunities in the market.

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