



Forget Aurora Stock: Why This Pot Stock Is a Much Better Buy

Description

Aurora Cannabis Inc ([TSX:ACB](#))(NYSE:ACB) has been hit with nothing but bad news recently, as things for the once-promising pot stock have gone from bad to worse. Not only is the company cutting jobs, but its CEO has announced he will be stepping down amid concerns surrounding the company's profitability.

There's been a lot of noise surrounding the company — and it's not been good. Although the stock is much cheaper than it was a year ago, it's also full of a lot more risk.

In 2019, the stock fell by nearly 60%, and through the first month of January, it was down another 10%. While for some investors it may be tempting to buy shares of a stock that's fallen as hard as Aurora, it's important to remember that it has done so for a reason — risk.

Investors are more concerned than ever about the industry's lack of cash flow, and a company like Aurora could be vulnerable, as a low share price coupled with [cash burn](#) makes it all the more difficult to raise cash to fund growth. And with operations in more than two dozen countries, Aurora may have spread itself too thin.

The one stock may be a better and safer buy is **Fire & Flower Holdings** ([TSX:FAF](#)). While it's by no means a risk-free investment, either, it should at least prove to be safer than Aurora.

The retail pot stock doesn't have the same exposure to production that Aurora has with respect to growing pot, and while it may have generated just \$13.7 million in sales in its most recent quarter, it also posted a profit.

With more retail stores opening in the industry this year, there's a lot of potential for 2020 to be an even better year for pot shops. In January, Fire & Flower already announced that it had 46 stores operating, well ahead of its goal to reach 45 stores by February 1, 2020.

For a cannabis company to not only meet, but also exceed its targets is a bit of a rarity in the industry, which is why Fire & Flower has the potential stand apart from its peers.

While Alberta has been the source of many of its stores, as Ontario and other provinces loosen their rules surrounding pot shops, there could still be an opportunity for a great deal more growth for Fire & Flower.

With the stock still having a fairly modest market cap of over \$100 million, it's a small player in the industry, and there could be significant upside if it has a good year in 2020.

Bottom line

Managing [risk](#) when investing in pot stocks is important. Right now, Aurora is one of the riskiest pot stocks to own. While that doesn't mean that it won't recover or that it can't turn things around, investors need to consider the dangers of investing in it today.

Even though it's lost significant value over just the past year, falling by more than 75%, that alone doesn't make it a good buy. If it was overpriced before, a drop in price doesn't automatically make it a good buy.

Fire & Flower, however, is a cheaper option — one that could lessen your risk while still giving you the opportunity to benefit from some attractive growth opportunities in the industry.

CATEGORY

1. Cannabis Stocks
2. Investing

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1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)
3. TSX:FAF (Fire & Flower)

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