



Forget Aurora (TSX:ACB) Stock: 2 Pot Stocks That are Way Cheaper

Description

Aurora Cannabis Inc ([TSX:ACB](#)) has been an investor favourite since the early days of pot stock trading. Besides **Canopy Growth Corp**, there is no bigger pot stock when it comes to market cap or popularity among investors.

That popularity makes sense given the long-term prospects Aurora has created. The firm has established itself as one of the biggest and most dominant companies in the industry.

The only problem is that Aurora may have over-estimated the Canadian marketplace and over-extended itself. Its share price has been consistently falling for about a year now. It's also a reason why Aurora needed to cancel some planned developments, in order to save cash. Funding is scarce in the industry today.

Over-extended

At the end of January, when it was trading at around \$30, I called for Canopy to be [worth just \\$15](#). Since then, the stock has come down roughly 30%. This week, the company announced it was laying off roughly 500 workers. Aurora is in a very similar position to Canopy and is still priced extremely high, with a price-to-sales ratio over 7 times.

The consequences of over-extending themselves to become dominant in the industry are now becoming clear. The industry continues to shift in favour of companies that took a more conservative approach to the market.

If you believe there is still money to be made in the industry, two of the top stocks to buy today are **Aphria Inc** (TSX:APHA)(NYSE:APHA) and **OrganiGram Holdings Inc** ([TSX:OGI](#))([NASDAQ:OGI](#)).

OrganiGram

OrganiGram is one of the most attractive cannabis stocks on the TSX. The company has a market cap

of less than \$500 million and a reasonable price-to-sales ratio of 5.2 times.

Its valuation is also reasonable, especially when you consider its capacity to produce high-quality bud in state-of-the-art cultivation facilities.

The company is one of the best at producing cannabis for the medical and adult-recreation markets, as evidenced by its deals with all 10 Canadian provinces.

It managed to grow revenue year over year by more than 500% in fiscal 2019, and had an earnings before interest, taxes, depreciation, and amortization (EBITDA) margin of roughly 25% of its net revenue.

These are impressive numbers for OrganiGram and bode well for its future. Investors can relax knowing that the stock isn't overvalued like a number of its peers.

Aphria

Aphria has an even more attractive valuation than OrganiGram, and certainly a lot cheaper than Aurora with a price-to-sales ratio of just 2.9 times.

The company also has distribution in all 10 provinces. It is currently in more than 500 stores nationwide, and growing by the month.

Aphria has also been searching for medical opportunities around the world, positioning itself for major growth in international markets.

Another thing that makes Aphria so attractive and much better positioned than a number of its peers is its roughly \$500 million in available liquidity. This gives it major flexibility and the ability to bide its time while others are making major decisions in order to shore up their own operations.

Aphria may be the best positioned stock in the industry. Its high-quality management has kept the company in a strong position and much more resilient than its peers. Investors can take comfort knowing their capital will be in good hands.

Bottom line

It's always crucial that investors take a conservative approach whenever estimating numbers ahead of making an investment. This is even more prevalent when investing in the cannabis space, as a lot of unknowns still exist.

When taking a conservative approach in estimating future growth numbers of the industry, it becomes extremely clear that a number of pot stocks are overvalued and not worth an investment.

Aphria and OrganiGram are among the only companies with fair valuations, and since these two have the best long-term prospects, they are the only cannabis stocks worth investing in today.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:OGI (OrganiGram)
2. TSX:OGI (OrganiGram)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/08/28

Date Created

2020/03/09

Author

danieldacosta

default watermark

default watermark