



## Forget Aurora Cannabis (TSX:ACB) and Invest in This Marijuana Stock Instead!

### Description

Equity markets are making a comeback this week after several governments announced a slew of economic measures to fight COVID-19. In the last three days, the **iShares S&P/TSX 60 Index** has gained close to 20%. This recovery has driven stocks of a number of companies higher. Several marijuana stocks are roaring back to life as well after a disappointing 2019.

Since March 20, shares of Canada-based cannabis giant **Aurora Cannabis (TSX:ACB)**(NYSE:ACB) have gained 26%. Aurora Cannabis has, however, burnt significant investor wealth in the last 15 months. The stock is trading at \$1.26, which is 90% below its record high. Aurora is the second-largest cannabis producer in the world with an annual production capacity of 625,000 kg. It has a footprint in 25 countries and is a major player in the recreational and medical marijuana categories.

The company has managed to reduce the cost of production drastically to \$0.85 per gram, which is significantly below the [average cost of production](#) which stands at \$7.37 per gram. Yes, Aurora Cannabis has some things going right for it.

However, while producing tonnes of cannabis has driven the cost of production down, Aurora, similar to most other players, has been grappling with lower-than-estimated sales. The slow rollout of retail stores in Canada has led to a pile-up of inventory levels and massive write-downs.

Aurora Cannabis is also posting huge losses currently and is grappling with high debt balances. This will mean that the company [will have to raise money](#) sooner rather than later, which may dilute investor wealth if it is in the form of equity capital, while raising debt will make investors anxious as well.

## Why Tilray seems like a better bet than Aurora Cannabis

Another Canadian cannabis company that has crushed the markets in the last few trading sessions is **Tilray (NASDAQ:TLRY)**. This Canada-based cannabis giant has been one of the most volatile companies in the marijuana space.

The stock went public in July 2018 at US\$17 per share and rose by a staggering 1,100% in two months

to US\$214. The stock then fell to a record low of US\$2.43 in March 2020. However, since March 18, Tilray stock has gained 225% to currently trade at US\$7.9.

On March 13 this year, Tilray announced the pricing of its \$90.4 million registered offering at a price of US\$4.76 per share. Similar to Aurora and a host of other pot companies, Tilray has booked mounting losses and has been impacted by negative cash flows. The company had to raise money to keep operations going, which diluted existing shareholder holdings. But with this capital infusion, Tilray can focus on acquiring customers and grow sales at a rapid pace.

Tilray is listed on the NASDAQ but generates close to 80% of sales from Canada. This Canada-based company may also get a boost from the government, as marijuana producers have asked to be included in Ottawa's coronavirus aid package. Last week, the Canadian government announced that it would pump \$82 billion into the economy to fight the impact from the coronavirus pandemic.

With several people asked to stay indoors, sales of Tilray products might experience an uptick as well. However, all said and done, the cannabis industry will continue to be volatile until the structural issues are resolved. Several pot companies might go bust and file for bankruptcies due to high debt levels and widening losses.

Tilray remains a large player in the marijuana market, and its recent capital infusion will give the company some breathing space that can be used to improve profit margins and ensure long-term sustainability.

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## TICKERS GLOBAL

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2. NASDAQ:TLRY (Tilray)
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araghunath

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