



Forget Aurora Cannabis (TSX:ACB): Buy This Pot Stock Instead!

Description

There's been a lot of excitement recently surrounding **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and the progress the company's been making of late. Sales are growing again, and the company also announced that it was going to expand into the U.S. cannabidiol (CBD) market through the acquisition of Reliva.

It's an exciting opportunity for investors, but Aurora's still a stock that has some serious [challenges](#) ahead of it. The company incurred a loss of \$137 million in its last quarter, and while it's made progress, getting to breakeven is still a far road ahead for Aurora investors.

The pot stock has let investors down in the past — something you should keep in mind before taking a chance on the stock. Year to date, shares of Aurora are down around 40%.

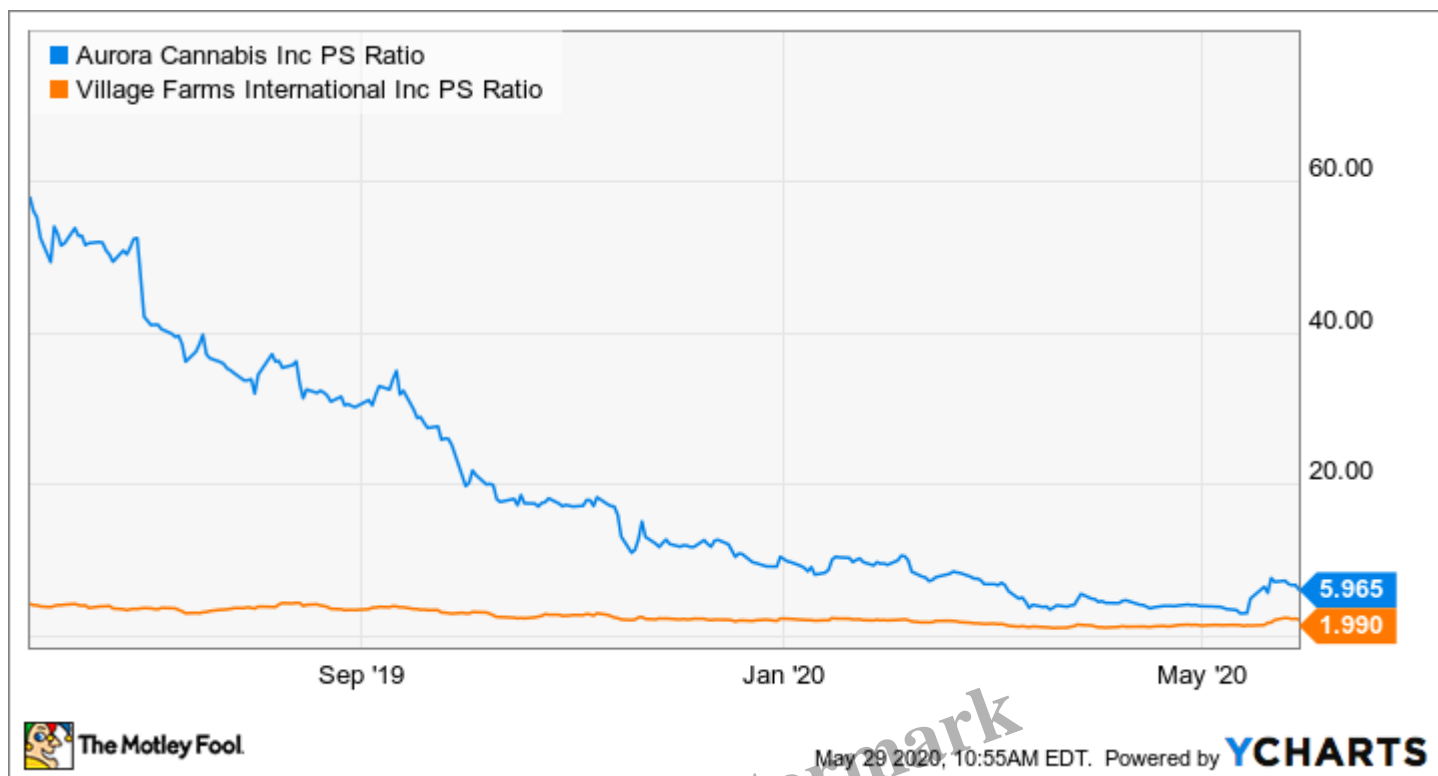
A safer alternative

One company investors have shown more excitement around this year is **Village Farms International Inc** (TSX:VFF)([NASDAQ:VFF](#)). While shares of the cannabis company are down 8% in 2020, that's still far better than the decline Aurora investors have been on this year. Shares of Village Farms soared on May 14, when the company announced that it was profitable for a fifth consecutive quarter.

Even when looking at its net income, Village Farms has reported a positive profit in four of its past six periods. Although the company's operating income has consistently been in the red in each of its last 10 quarters, strong results from Pure Sunfarms have enabled Village Farms to produce profitable results.

Village Farms is also a cheaper buy

When looking at the valuations of the two companies in relation to their sales, it's clear that Village Farms also gives investors more for their money:



ACB PS Ratio data by [YCharts](#)

Even with Aurora's sharp decline in price over the past year, it's still more expensive than Village Farms. Investors aren't paying much of a premium to own shares of Village Farms, and with a profitable business, it's less of a risk to invest in today.

Given the uncertainty surrounding COVID-19 and how it may impact the cannabis industry, investors are safer holding shares of companies that are profitable and with sustainable business models. And Aurora hasn't proven that it belongs in that group.

Aurora is working toward being profitable, but Village Farms is already at that stage. And at a cheaper valuation, it's a better buy today.

Bottom line

Pot stocks as a whole are still pretty [risky](#) right now. But Aurora's one of the more volatile investments you can hold in your portfolio. It can send you on a roller coaster ride with its wild swings in price. With Village Farms, investors are getting a bit more stability, and it's a safer way to invest in the cannabis industry right now.

Until Aurora is able to demonstrate that it's consistently making progress towards breakeven, investors shouldn't be so quick to get on the hype train again.

Although it has fewer sales, Village Farms is the better buy right now and the stock is less likely to send your portfolio into a tailspin.

CATEGORY

1. Cannabis Stocks
2. Investing

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2. NASDAQ:VFF (Village Farms International, Inc.)
3. TSX:ACB (Aurora Cannabis)

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Author

djagielski

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