Better Weed Stock: Aphria (TSX:APHA) vs. Aurora (TSX:ACB)

Description

The cannabis industry is arguably a horror story for Canadian investors. At its peak, the industry helped people make fortunes in a matter of months. Unfortunately, the glory days were soon over, and the marijuana industry lost its investors' money and confidence in droves. Some of the largest players in the game saw their market valuations plummet.

Weirdly enough, the current pandemic wasn't that bad for the marijuana industry. In fact, unlike most other sectors, cannabis companies actually saw sales rise quite substantially in March. Whether due to curtailed black market activity during the lockdown or other factors, it's hard to say, but it was the first time since cannabis 2.0 that the market saw some glimmer of hope.

So if you are considering which weed stock to back now, you have a choice. You can invest in the once-mighty leader of the sector, **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) or the smaller but fiercer **Aphria** (TSX:APHA)(NYSE:APHA).

Case for Aurora

Aurora was once a powerhouse in the Cannabis industry focused on acquisitions and increasing its production capacity, which resulted in its massive global footprint. It has sales and operations in about 25 countries and exclusive sales agreements with the European Union.

The company is well positioned in both the medical marijuana market as well as the market for recreational cannabis.

Despite having cutting-edge facilities, decent capacity, and a focus on research, Aurora's stock is fragile. There are plenty of reasons for that, but one of the reasons that stand out is Aurora's brutal stock dilution to raise capital.

In the past, this tactic essentially converted Aurora into a penny stock. To prevent itself from being delisted in the **NYSE** for falling below $1, the company consolidated its shares with a 12 to 1 reverse split.

It's one of the reasons — along with better-than-the-past quarterly results — that Aurora's stock reached $24 per share, a number it didn't see since February. The market value has fallen again, about 25% in the past few weeks. One perspective is that even if Aurora is a good company, it's not a very good friend to its investors.

Case for Aphria

With a market cap of $1.73 billion, Aphria is one of the big players in the Cannabis industry. While it has accumulated a debt of $485 million, it's holding on to a cash pile even bigger than that: $515 million. Its income for the third quarter of 2020 grew substantially compared to the second quarter, and its operating income and EBITDA finally rose to the positive side of the chart.

Aphria's total assets are almost four times the total liabilities of the company, and its revenue has grown over 500% in a year-over-year basis. As a stock, Aphria looks significantly stronger than Aurora. The company has grown its market value by 100% since March, and its value is continually rising, unlike Aurora's.

Foolish takeaway

The current boost that the marijuana industry saw might be a reprieve. But if it's a full-blown (albeit slow) recovery of the sector, then Aphria might be the better pick of the two.

The company is standing on solid ground and hasn't weakened its stock as Aurora has. Still, you may want to watch for cannabis market trends when the country fully reopens.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/23
Date Created
2020/06/19
Author
adamothman