



## Forget Aurora: This Could Be a Hotter Pot Stock to Buy

### Description

Since **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) released its quarterly results several weeks ago, there's been some bullishness surrounding the stock. But investors shouldn't be so quick to jump on the bandwagon. Aurora is a stock that's let investors down time and time again. The company is bloated with expenses and has spread into too many different locations; it'll take a massive cleanup effort to make the stock investable.

And rather than wait for Aurora to become a justifiable investment at its nearly \$2 billion market cap, investors are likely better off looking elsewhere.

### A pot stock with an advantage over Aurora

One of the reasons I'm not terribly optimistic about Aurora's future is that unlike other cannabis companies, it's [failed](#) to secure a key partner from another industry. While having a big investor from another industry won't necessarily fix what's wrong with a business, it can help make it more stable. It can also open up attractive opportunities in the process.

That's exactly why **Fire & Flower Holdings** ([TSX:FAF](#)) could be an underrated buy right now. The pot stock partnered with retail giant **Alimentation Couche-Tard** [last year](#). The two companies working together could dominate the retail space in the cannabis industry. And so far, Fire & Flower has done a great job of growing.

On June 16, the pot retailer released its first-quarter results of 2020. Its sales of \$23.1 million were up 142% from a year ago when it generated just \$9.5 million in revenue. The company also incurred a smaller loss than it did a year ago. Revenue in Q1 was also up 38% from the fourth quarter where Fire & Flower reported sales of \$16.8 million.

What's impressive is that the Q1 results were up until May 2, which would've included the full month of April. That would have been well into the pandemic and after all the panic buying had ended. And yet, Fire & Flower still showed strong sales numbers. That's an encouraging sign for cannabis investors, as it shows that COVID-19 hasn't kept the company's sales from growing. Fire & Flower has adapted,

depending on the market, by offering home delivery and curbside pick-up to allow consumers to continue to purchase cannabis safely during the pandemic.

## Fire & Flower is a dirt-cheap buy given its growth potential

In its earnings release, Fire & Flower noted that there was “meaningful demand” for new Cannabis 2.0 products during the quarter. The new products only started hitting store shelves late last year in Canada and could keep Fire & Flower’s sales strong throughout 2020. There’s still a lot of reason to be optimistic that the cannabis retailer will continue to do well this year even amid the pandemic.

With the stock trading at around just 1.7 times its revenue, Fire & Flower is a ridiculously cheap buy compared to a larger stock like Aurora that trades at around six times its revenue.

If you’re looking for a good growth stock or just a smaller pot stock that has more upside than Aurora, Fire & Flower could be a great pick today. It’s loaded with potential, and it doesn’t cost much to own right now.

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1. Editor's Choice

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djagielski

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