



## Better Buy: Aphria (TSX:APHA) or Canopy Growth (TSX:WEED)?

### Description

Although the Canadian stock market has recovered strongly from its March lows, the cannabis space is still struggling. The lower-than-expected demand for cannabis-derivative products, robust black-market sales, and rising operating losses have been a drag on the sector.

Meanwhile, there has been a shift in consumer sentiment towards legal cannabis. As reported by Statistic Canada, the contribution from legal cannabis to Canada's GDP has increased by 11% year over year in May. Meanwhile, the contribution from illegal cannabis declined by 13% during the same period.

Amid this favourable shift, let's discuss which among **Aphria** (TSX:APHA)(NASDAQ:APHA) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is a better buy right now.

### The case for Aphria

So far, this year, Aphria has lost close to 10% of its stock value. In its recently reported fourth-quarter earnings, Aphria posted a net loss of \$98.8 million, which made investors anxious, leading to a decline in its stock price. However, I believe the fall was unwarranted, as the significant part of those losses were non-recurring or one-time charges.

Also, the company had outperformed analysts' top-line expectations during the quarter. Its revenue grew 5% on a sequential basis, driven by the strong performance from the distribution segment. The company's adjusted EBITDA came in at \$8.6 million, which was 49% higher than its previous quarter.

Further, Aphria has been increasing its market share in some of the key markets in Canada through its compelling value and product differentiation. Currently, the company owns six brands across the medical and recreational space. Meanwhile, the company has planned to launch two more brands in this fiscal year.

Moving to its international markets, the company's subsidiary in Malta had received the E.U. GMP certification in the fourth quarter. With this certification, the company can export cannabis products

manufactured from the facility to all countries in the European Union that have legalized cannabis.

Also, earlier this month, Aphria had signed a supply agreement to export dried bulk flowers to Israel. So, [the company's long-term growth prospects look robust](#).

## The case for Canopy Growth

Currently, Canopy Growth trades over 18% lower for this year. However, the company reported an impressive first-quarter performance on August 10. It beat analysts' sales expectations, while its adjusted EBITDA losses came in lower than expected.

The growth in medical cannabis sales drove the company's revenue. However, its recreational cannabis sales declined due to the temporary closure of retail stores amid the pandemic and increased competition.

Meanwhile, to drive its recreational cannabis sales, the company is focusing on Cannabis 2.0 and value products. So far, it has launched four cannabis-infused beverages, which have received a positive response from customers and has helped Canopy Growth to become a market leader in cannabis-infused beverages.

Apart from beverages, the company has also launched two vape product products and various cannabis-infused chocolates in Canada. All these initiatives could boost its recreational cannabis sales in the future.

Canopy Growth is also expanding its operations in the United States. Last month, it had launched an e-commerce site, which offers 25 SKUs from First & Free, This Works, and BioSteel brands. The company is also planning to launch Martha Stewart-branded health and wellness CBD products shortly. So, the company is well positioned to acquire a significant share in the growing U.S. CBD market.

## Bottom line

Although both the cannabis companies offer strong growth potential, I would go with Aphria. It has already posted positive EBITDA in its previous five quarters, while Canopy Growth is still struggling to cut down its expenditures.

Meanwhile, yesterday, *BNN Bloomberg* [reported](#) that **CIBC** upgraded Aphria to an "outperform" rating. The equity research company expects 25% upside potential for Aphria. So, I think investors should buy the stock for higher gains.

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2. Investing

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)

2. TSX:WEED (Canopy Growth)

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