



Forget Aurora Cannabis: Buy This Pot Stock Instead!

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) is coming off yet another disappointing quarterly result. The company's shares crashed more than 29% on Wednesday after investors saw its abysmal fourth-quarter performance.

Not only was its Q4 net revenue of \$72.1 million down from \$75.5 million in the previous quarter, but Aurora also reported a staggering net loss from continuing operations of \$1.86 billion. But after backing out impairment and other costs, its adjusted EBITDA figure came in at \$34.6 million — an improvement from the \$50.4 million adjusted EBITDA loss the Alberta-based company reported in Q3.

The bigger problem, however, is the company's guidance for the first quarter of 2021. Aurora said that now that it's divested of its non-core subsidiaries, its net revenue will now mainly be composed primarily of cannabis sales. And it's only expecting that number to come in at no higher than \$64 million for Q1. Not only is this down from the current period's net revenue, but in Q4, Aurora notes that its net cannabis revenue was also higher at \$67.5 million.

For a growth stock, Aurora's going in the wrong direction. It's little wonder that its shares have cratered more than 90% in the past 12 months, as investors are growing tired of the company's underwhelming performances.

A better option for investors

If you're fed up with Aurora and are looking for a [better pot stock](#) to buy, consider **Village Farms International** (TSX:VFF)([NASDAQ:VFF](#)). Although the British Columbia-based cannabis producer is struggling, at around 50%, its losses over the past year aren't nearly as bad as Aurora's.

And there's reason to be optimistic. Village Farms' financials may get a whole lot better now that the company owns Pure Sunfarms in its entirety. On September 8, the company announced it was buying out the remaining stake that **Emerald Health** held in the low-cost cannabis producer. Village Farms did previously own a majority stake in Pure Sunfarms, but now it will benefit from the company's entire success and profitability, not longer receiving just a fraction of it.

The importance of this move shouldn't be understated by investors as Pure Sunfarms often plays a major role in bolstering Village Farms' overall financials. Through the first six months of 2020, its share of earnings from Pure Sunfarms was just under US\$4 million. Village Farms' pre-tax income before adding in income from unconsolidated entities (including Pure Sunfarms) for the first two quarters totaled just US\$492k, just above breakeven.

With a greater stake in Pure Sunfarms, it should put Village Farms in much better shape to compete on price and deliver stronger results for its shareholders. Reporting a US\$119k loss in its most recent quarter, the company just fell short of the breakeven mark in Q2. But in four of its past seven quarterly results, Village Farms was able to stay in the black.

Profitability is a much more realistic target for Village Farms, and the company's still growing its top line as well. Sales of US\$47.6 million this past quarter rose by 15% year over year.

With shares of Village Farm trading at just two times revenue, this could be one of the [better cannabis investments](#) out there on the TSX.

CATEGORY

1. Cannabis Stocks
2. Investing

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