



Better Buy: Canopy Growth (TSX:WEED) vs. Aurora Cannabis (TSX:ACB)

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) and **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) both reported their quarterly results on Monday morning. Which pot stock is a better buy? Let's see.

Canopy Growth

Canadian cannabis giant Canopy Growth reported smaller-than-expected losses in the second quarter of its lagged fiscal year due to higher sales during the coronavirus pandemic.

The recreational and therapeutic cannabis giant plunged into the red, with a loss of \$97 million in the second quarter of its staggered 2020-2021 fiscal year, ended September 30. For the same period a year ago, it had generated a net profit of \$237 million.

Excluding exceptional items, the quarterly loss was \$0.09, which is significantly better than the loss of \$0.40 expected by analysts.

Canopy Growth, whose majority shareholder is U.S. alcoholic beverage group **Constellation Brands** (51%), saw quarterly revenue jump 77% during the summer to \$135 million.

The group notably tripled its sales of recreational cannabis in Canada, with a significant increase in dried flowers.

Canopy Growth is present in all Canadian provinces except Quebec, with 48 stores under the Tweed and Tokyo Smoke banner.

The group also took advantage of its Storz & Bickel (vaporizers), This Works (dermatological care), and BioSteel (infused beverages) brands, acquired in October 2019.

In contrast, sales of medical cannabis in Canada and abroad stagnated at \$31 million in the second quarter.

Canopy Growth says it has identified potential savings of \$150 million to \$200 million in its cost structure, which it now plans to put in place.

Aurora Cannabis

Aurora Cannabis reported mixed first-quarter results, with cannabis sales exceeding analysts' expectations, while restructuring payments resulted in an outsized loss.

The company said it had first-quarter revenue of \$67.8 million, slightly ahead of the \$67.5 million it generated in the previous quarter, but down 4.2% from compared to last year.

Aurora Cannabis said its recreational cannabis sales fell about 3% in the quarter to \$34.3 million, while medical marijuana revenue improved by about 4% to \$33.4 million.

The Edmonton-based company also reported an adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) loss of \$57.9 million in the quarter, which includes \$47.4 million in legal settlement costs, and contract termination, a large part of which is linked to the termination of his contract with the UFC.

Analysts polled by *Bloomberg* expected Aurora to report revenue of \$63.8 million and EBITDA loss of \$8.7 million.

"We continue to take the necessary steps to execute our plan and transform our business to achieve sustainable profitability and ultimately positive cash flow," [Aurora CEO Miguel Martin said in a statement.](#)

Aurora said it reduced its general and administrative expenses by almost \$20 million to \$46.9 million in the quarter while spending less on capital expenditures after reducing its global cultivation footprint in previous quarters.

The company said it remains on track to achieve positive adjusted EBITDA in its next fiscal quarter.

Which pot stock is a better buy?

Canopy Growth jumped 10%, and Aurora Cannabis jumped 20% after both pot companies reported higher-than-expected sales and narrowing losses.

What is also driving pot stocks higher is that several states have legalized the use of recreational marijuana, and Joe Biden's presidential victory could lead to more calls for decriminalization.

With the growing demand for medical cannabis across the world, and as more states could legalize marijuana under Biden presidency, [Aurora Cannabis and Canopy Growth both have significant upside.](#)

However, I would prefer Aurora Cannabis over Canopy Growth, as it has a lower price-to-sales and price-to-book ratio. Earnings per share are also expected to grow faster for Aurora than Canopy during the current fiscal year as well as during the next fiscal year.

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