



Better Buy: Aurora Cannabis (TSX:ACB) vs. Aphria (TSX:APHA)

Description

The cannabis sector has witnessed a strong upside momentum this month, with the industry benchmark **Horizons Marijuana Life Sciences Index ETF** surging 25.5%. The cannabis legalization in Arizona, New Jersey, South Dakota, Montana, and Mississippi, and Joe Biden's victory in the United States presidential elections increased cannabis companies' stock prices.

Amid the renewed interest in the cannabis sector, which among **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Aphria** (TSX:APHA)(NASDAQ:APHA) is a better buy right now?

Case for Aurora Cannabis

Aurora Cannabis is trading over 85% higher for this month. Its impressive first-quarter performance and favorable market conditions led to a rise in the company's stock. In the [September ending quarter](#), the company's revenues came in at \$67.8 million, better than the management's guidance of \$60 million to \$64 million, and a slight increase from its fourth-quarter revenue of \$67.5 million.

The growth of 41% in its international medical cannabis segment drove the company's top-line. However, the decline in its domestic medical and recreational cannabis sales offset some of its sales growth. Aurora Cannabis's adjusted EBITDA losses came in at \$57.9 million. However, removing the restructuring payments, its adjusted EBITDA losses were just \$10.5 million, representing a significant improvement.

The company's management is hopeful of reporting positive EBITDA in the second quarter of fiscal 2021. At the end of the first quarter, the company's liquidity position looked healthy, with a \$250 million cash.

Meanwhile, to expand its market share in the Canadian recreation segment, Aurora Cannabis has launched several SKUs in the cannabis-derived products category, including vapes, gummies, chocolates, baked goods, and mints. The company is also allocating more of its marketing resources to these higher-margin products to improve its EBITDA.

Moving to the international markets, Aurora Cannabis recently received a flower and oil sales licensing at its EU GMP certified Aurora Nordic 1 facility located in Denmark. So, the company now hopes to ship its product to European countries from this facility. In May, it completed the acquisition of Reliva, expanding its presence in the United States. So, Aurora Cannabis's growth prospects look healthy.

Case for Aphria

Last month, Aphria reported lower-than-expected first-quarter results. Its revenue declined 4% on a sequential basis due to weaker performance from its distribution segment. Amid the pandemic-infused lockdown, the in-person visits in Germany fell, impacting the revenue of its subsidiary CC Pharma.

However, its net cannabis sales rose 18%, driven by a strong recreational segment's performance. Higher vape sales, the introduction of larger format SKUs, and the launching of a new value brand, B!ngo, drove the company's cannabis sales.

Meanwhile, Aphria reported an adjusted EBITDA of \$10 million, representing a sequential increase of 17%. Higher cannabis sales and the company's cost-cutting initiatives drove its adjusted EBITDA. It was the sixth consecutive quarter of positive adjusted EBITDA for Aphria, which is a rare achievement for a cannabis company.

Meanwhile, through its value proposition and differentiated product offerings, the company has strengthened its market share in the Canadian markets. Moving to the international markets, the company had signed a two-year agreement with an Israeli cannabis company, Canndoc, in August. Further, the EU GMP certification to its Aphria One facility could boost its export to the European countries.

Earlier this month, Aphria announced to have signed an agreement to acquire a craft-beer company, Sweetwater Brewing Company, which will provide the company an entry into the United States. So, [the company's growth prospects look healthy](#). Further, the company closed its first quarter with cash and cash equivalents of \$400 million.

Bottom line

Although both the company's growth prospects look healthy, I would like to go with Aphria due to its attractive valuation, strong balance sheet, and better track record. Despite the recent surge in its stock price, Aphria trades at a forward enterprise value-to-sales multiple of 3.1 compared to Aurora Cannabis's 6.

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Date

2025/08/22

Date Created

2020/11/12

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