Forget Aurora Cannabis (TSX:ACB) and Buy This Pot Stock Instead!

Description

Shares of marijuana giant **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) continues to remain volatile this month. ACB stock gained 153% between November 4 and November 9. However, it has since declined 38% to close trading at $9.18 yesterday.

Pot stocks, including Aurora, gained momentum on the back of a Joe Biden win. The president-elect is likely to decriminalize or even legalize marijuana in the U.S. in the near future. This will increase the total addressable market for Canadian cannabis companies that are grappling with lower-than-expected sales.

However, Aurora continues to be impacted by a slew of structural issues that include a bloated balance sheet, negative profit margins, and high inventory levels. It continues to raise equity capital in order to boost liquidity, but this has also diluted shareholder wealth significantly.

In the September quarter, Aurora reported a 10% year-over-year decline in sales, while its net loss stood at $107 million. It burned $93 million in cash in the fiscal first quarter of 2021 and announced plans to raise US$150 million by selling 20 million new shares.

Aurora stock is down 71% in 2020

Aurora stock continues to disappoint investors and is down 71% year to date. Though the revenue decline in Q1 can be attributed to its divesture of non-core assets, the company's net cannabis sales were down 4% year over year. This indicates Aurora Cannabis is losing market share to other players, which will make investors wary.

Aurora aims to generate a positive EBITDA in Q2, but even if it achieves this goal, the company will rely on cost optimization rather than top-line growth. Further, ACB also needs to deliver a positive free cash flow in fiscal 2021 or it will continue to issue equity shares impacting its stock price negatively.

This multi-state operator in the U.S. is a top cannabis bet

While Aurora Cannabis continues to disappoint investors, one marijuana stock has easily outperformed peers in 2020. Shares of **Green Thumb Industries** (CNSX:GTII) have almost doubled since June 2018, and this stock should trade higher once pot is legalized south of the border.

Green Thumb is a multi-state operator and has a large presence in the states of Illinois and Nevada. Last week, five states in the U.S. voted on marijuana legalization (medical or recreational or both), and this development drove shares of GTII higher.

Green Thumb Industries is all those things that Aurora Cannabis isn't. GTII is growing sales at a fast pace and is EBITDA positive. The company has a presence in 12 states in the U.S. and is well positioned to go after the rapidly expanding market in the country.

The cannabis markets in Illinois and Nevada are forecast to be multi-billion-dollar ones, which mean investors can expect GTII sales to continue to grow higher in the upcoming decade.

In the June quarter, Green Thumb increased sales by 167% to $119.6 million while EBITDA soared close to 1,500% to $35.4 million. Green Thumb has licences to open 96 retail stores and currently has a portfolio of 49 stores in 12 states.

GTII stock is valued at a market cap of US$4.3 billion indicating a forward price-to-sales multiple of 8.7, which is not too expensive given the company is expected to more than double its sales in 2020.

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