



Aurora Cannabis (TSX:ACB) Stock vs. Canopy Growth (TSX:WEED) Stock: Which Is the Better Buy?

Description

Cannabis stocks are getting more attention these days. **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is trading at 52-week highs. **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) stock is seeing higher volumes.

The cannabis industry has come a long way in the last two years. Some of the early troubles have been ironed out. Cannabis stocks have also come a long way. That is, they've [come a long way down from their bubble highs](#). But is it enough?

Some of you may be thinking about investing in cannabis stocks. But there are many questions to be answered first. Is this a good time? Which cannabis stock is the better buy: Canopy Growth or Aurora Cannabis?

Aurora Cannabis and the cannabis industry are still working out the kinks

In Canada, the cannabis industry's rollout has been rough. At first, there wasn't enough supply to meet the demand. The distribution chains were problematic. Then the suppliers had too much supply. And then cannabis prices fell and margins were razor thin.

These were some of the growing pains. Although these growing pains were expensive for stocks like Aurora Cannabis, it's to be expected. It's kind of like when a new mega project will be built; we can almost always count on it being completed late and over budget. This is just how these things work.

Likewise, when a new industry is emerging, we can expect hiccups. The biggest problem with the cannabis industry was expectations. Expectations often get too high. But in this case, expectations reached euphoric levels. Investors were riding high on the drug of greed. Therefore, cannabis stocks like Aurora Cannabis hit bubble territory.

How to manage bubble mentality

[They stayed in bubble territory for what seemed like forever](#). At that time, it seemed excruciatingly long. It's hard when the world doesn't make sense. And this didn't make sense. Or did it? Bubbles have happened time and time again throughout history, and they will continue to happen. We just have to accept that.

The trick is to figure out how to use bubbles to your own advantage. To do this, there are many things to remember. First, we must never buy when a stock trading in bubble territory. There are many signs that can help us recognize a bubble. For example, a stock is in a bubble when everyone is talking about it, including the media, your waiter, and your neighbour. Another sign is when everything they say about it is positive, or when analysts keep raising their target prices, chasing the stock higher. All of this happened with cannabis stocks. Canopy Growth stock and Aurora Cannabis stock were hot topics.

Canopy Growth stock is trading at 52-week highs. Aurora Cannabis stock is struggling

As the leader in the cannabis industry, Canopy Growth has come a long way. After the stock fell off a cliff in 2019, it is once again rising. It is, in fact, trading at 52-week highs today. Clearly, there are some good reasons for this.

Momentum is building for Canopy. Its Canadian recreational business is seeing record revenue. And Canopy has improved execution. The company is seeing an accelerating path to profitability. New cannabis beverages and gummies are being launched. This opens the door to additional revenue opportunities. Combined with significant cost savings, it translates to positive EBITDA sometime next fiscal year.

Aurora Cannabis, however, is still struggling. But it's also getting investors' attention again. The recent Isreali supply deal has sparked interest. This supply agreement gives Aurora Cannabis access to Israeli's drugstore channel. Aurora Cannabis is well positioned in two of the largest legal cannabis markets outside Canada.

Aurora Cannabis is still losing huge sums of money. It trades well below book value. It trades at a price-to-sales multiple of four times.

Motley Fool: The bottom line

Aurora Cannabis has some very interesting international deals. They give the company an edge in the lucrative German and Israeli markets. But Canopy Growth is further along in the quest to make a real business out of cannabis. As its valuation reflects this, it is the better buy today. The risk/reward tradeoff is much more attractive.

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