Canopy Growth (TSX:WEED) or Aurora Cannabis (TSX:ACB)?

Description

Don't look now, but **Canopy Growth** (TSX:WEED)(NYSE:CGC) stock is hot again following the release of its solid third-quarter earnings results that saw higher-than-expected revenues. The stock surged another 12% on Tuesday, adding to its gains posted over the last several months. Today, WEED stock is up a staggering 233% since its early October lows, thanks in part to a favourable U.S. election result and several other company-specific positives.

Shares of Canopy are looking to flirt with its 2019 all-time highs. And with a number of positive catalysts on the horizon, not only do I think the cannabis hangover is over, but I think euphoric heights could be hit in 2021, as the pot stock trade looks to heat up again.

Profitability is finally in sight!

What really made investors euphoric was management's belief that profitability is in sight, as cash burn rates look to continue on the downtrend.

In many prior pieces, I urged investors to buy best-in-breed cannabis companies like Canopy Growth before they had a chance to make a move to sustained profitability. With Canopy leading the upward charge, I don't think it's farfetched to think that its peers like **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) will be next to follow now that the pot trade has heated up again.

Canopy's management team sees the firm moving into the green (excuse the pun!) in the second half of 2022.

The shift into profitability is thanks in part to the firm's immense cost-cutting efforts that are likely to pay major dividends (not literally) for long-term investors who stood by the rollercoaster ride of emotions that is WEED stock.

More robust demand in the third quarter driven by COVID-19 quarantines, I believe, is likely to continue to give a lift to Canada's top cannabis licensed producers (LPs). While there's no telling when the pandemic will end, I do think that Canopy could be given a major boost as it targets profitability within the next two years.

At the time of writing, Canopy Growth stock is a tad too hot for my portfolio to handle. Sure, the news of Canopy nearing profitability makes WEED stock a buy. Still, I believe there are far better value opportunities in the cannabis space, most notably with Canopy's top peer Aurora Cannabis.

A better way to bet on the cannabis stock comeback?

Like Canopy stock, Aurora Cannabis shares have been heating up since October on the back of those U.S. election results. While the stock is up around 290% from its October depths, it's still a country mile (over 88%) away from its all-time highs. While Canopy's latest rally has been driven by company-specific catalysts, I think it would be foolish (that's a lower-case "f") to think that Aurora isn't capable of catching up to its bigger brothers.

Like Canopy, Aurora has made major strides in reducing its cash burn rates whilst putting its foot on the pedal with long-term growth initiatives. With the stock trading at just 1.2 times its book value (versus 4.2 times book for WEED stock), I view ACB stock as one of the best bargains, not only in the Canadian cannabis sector, but also the **TSX Index**.

If Canopy Growth can make a move to its highs, so too can Aurora stock. As such, I'd look to accumulate shares before the marijuana trade really has a chance to heat up. Just because ACB stock seems cheap doesn't mean it won't be a turbulent ride, though. So, please be mindful of the risks over the near-term and focus on investing for the next 5, 10, even 20 years with pot stocks.

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