



Aurora Cannabis vs. Cronos Group: Which Pot Stock Is a Better Buy in July?

Description

Canadian cannabis companies continue to haunt long-term investors. Most of them, including **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)), are trading significantly below record highs, burning massive wealth in the last 30 months. The optimism surrounding the marijuana industry when Canada legalized recreational use of pot has dwindled at a rapid pace.

The bear market in this nascent industry can be attributed to multiple structural issues and industry-wide headwinds that include a thriving black market, lower-than-expected demand, widening losses, and billion-dollar writedowns, among several others.

However, let's take a look to see if Aurora Cannabis and Cronos Group should be on the radar of contrarian investors right now.

Aurora Cannabis continues to disappoint investors

In the fiscal third quarter of 2021 ended in March, Aurora Cannabis saw its sales decline by 20.8% year over year to \$55.2 million. Its operating loss improved to \$24 million compared to \$49.6 million in the year-ago period but was still much higher than Bay Street estimates of a loss of \$10 million.

At the end of Q3, Aurora had approximately \$42 million worth of facilities idle, as the pot heavyweight [continued to](#) wind down operations due to lower demand. The third wave of COVID-19 infections exacerbated the decline, as several provinces imposed lockdowns.

If you account for inventory writedowns as well as depreciation, Aurora Cannabis reported a gross loss of \$72.4 million in Q3 compared to a gross profit of \$22.9 million in the prior-year period.

Aurora Cannabis also burnt \$86.3 million in cash and raised \$172.2 million in equity capital the quarter. It ended the March quarter with a cash balance of \$525 million and \$481 million in debt. In order to improve its liquidity position, Aurora Cannabis intends to raise an additional US\$300 million, which will result in another round of shareholder dilution.

Currently, ACB stock has gained 6% year to date and is trading 94% below record highs.

Cronos Group increased sales by 50% in Q1

Shares of Cronos Group are up 21% in the first half of 2021. Despite its recent uptick, the stock is trading 67% below all-time highs. In the [first quarter of 2021](#), Cronos Group reported sales of \$12.6 million, which were 50% higher year over year. However, sales were below analyst estimates of \$16.5 million.

The marijuana producer reported a net loss of \$161.6 million, or \$0.44 per share, significantly higher compared to analyst estimates of a loss of \$0.08 per share. In Q1 of 2020, Cronos posted earnings of \$0.20 per share, or \$75.7 million. Its adjusted EBITDA loss of \$37.1 million in Q1 was in line with the year-ago period.

Cronos stated that cannabis flower product sales more than tripled to \$9.4 million due to improvement in Canada's recreational marijuana market as well as strong demand from Israel's medical marijuana market. Sales south of the border rose 12% to \$2.4 million due to the launch of new hemp-derived CBD products in the U.S.

The Foolish takeaway

Looking at recent quarterly results, it seems Cronos stock is the better cannabis company between the two. It has managed to increase sales in the March quarter while ACB is losing market share at a rapid pace. In fact, Aurora Cannabis confirmed it will reduce its product portfolio in recreational cannabis and focus on high-margin medical marijuana products.

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