Canopy Growth vs. Aurora Cannabis: Which Is the Better Buy?

Description

Cannabis stocks were a growth machine for investors following the 2015 Canadian federal election. The hype for recreational legalization ramped up, and Liberal leaders Justin Trudeau managed to deliver on the promise. However, the reality of the rollout started to sour investors on the sector. As it stands today, the Canadian cannabis market is in desperate need of a boost to bring it back in the eyes of investors. Today, I want to look at **Canopy Growth** (TSX:WEED)(NYSE:CGC) and **Aurora Cannabis** (TSX:ACB)(NYSE:ACB), two top producers whose shares have plunged in 2021. Which is the better buy today? Let's jump in.

The case for Canopy Growth this summer

Canopy Growth is the largest cannabis producer listed on the TSX. Its shares have dropped 25% in 2021 as of close on July 19. The stock is still up 3.1% from the prior year.

Back in June, I'd discussed whether Canopy Growth would benefit from a potential legislative breakthrough in the United States on the cannabis question. On Wednesday, July 14, Democrats led by Senate Majority leader Chuck Schumer, Ron Wyden, and Cory Booker unveiled draft legislation to end the federal prohibition of cannabis. However, cannabis stocks still sold off, as the bill contains redistribution tax measures. Some speculate that this will prevent bipartisan support for the bill.

Canopy Growth released its fourth-quarter and full-year 2021 results on June 1. It achieved 37% revenue growth for the full year. The company has put itself on track to achieve positive adjusted EBITDA for the first time in the second half of fiscal 2022.

How does Aurora Cannabis look right now?

Aurora is another huge cannabis producer in Canada. The company pursued an aggressive acquisition strategy immediately following recreational cannabis legalization. This spurred the stock to new heights, but it fought to live up to lofty expectations. Unlike Canopy Growth, Aurora failed to attract a major partnership like **Constellation Brands**. Still, the company is also cheering on a potential breakthrough for federal legalization in the United States. In May 2020, Aurora announced its strategy to penetrate the U.S. market with the acquisition of a top CBD products company.

Shares of Aurora have also dropped 25% in the year-to-date period. Unlike Canopy Growth, the stock is down 42% from the prior year. Aurora has undergone stock splits and said goodbye to CEO Terry Booth in recent years. Is there reason for optimism going forward?

In Q3 2021, the company reported total cannabis net revenue before provisions of $58.4 million — down 19.5% from the prior year. However, its adjusted EBITDA loss did come in at $24 million — an improvement from a $49.6 million adjusted EBITDA loss in the third quarter of 2020.

Which is the better buy?

Aurora's shareholders have been consistently punished in recent years. That has made it hard to trust this top cannabis stock for the long haul. The stock has been throttled since 2018 and 2019.

Canopy Growth's stock has not fared better in 2021, but it has been more dependable overall. Moreover, the company is much better situated to enter the U.S. market. It is also on track to achieve positive adjusted EBITDA in its next fiscal year. I'm much more inclined to snatch up Canopy Growth stock in late July.

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