Aurora Cannabis vs. Columbia Care: Which Cannabis Stock Is a Better Buy?

Description

In 2021, cannabis stocks have trailed the broader markets by a significant margin, but this pullback also provides investors an opportunity to purchase quality growth stocks at a lower multiple. Given that the marijuana market in Canada and the U.S. continues to expand at a rapid rate, let's see whether **Aurora Cannabis** (TSX:ACB)(NYSE:ACB) or **Columbia Care** (TSX:CCHW) should be part of your portfolio right now.

Can Aurora Cannabis stock stage a comeback?

Shares of Canadian cannabis heavyweight Aurora Cannabis are currently trading 95% below all-time highs, burning massive investor wealth in the last three years. But ACB stock has gained momentum in recent trading sessions on the back of fiscal Q4 of 2021 results.

Aurora Cannabis reported net sales of $55 million in Q4, which was 20% lower compared to the year-ago period. Its adjusted loss narrowed to $19 million from $33 million in Q4 of 2020. While Aurora Cannabis missed revenue estimates, its better-than-expected losses were cheered by investors and Wall Street.

Further, Aurora Cannabis is also focusing on the higher-margin medical marijuana segment to drive revenue and improve its bottom line in the future. Medical marijuana sales were up 9% year over year at $35 million. Comparatively, recreational cannabis sales fell by 45% in Q4.

The company ended fiscal 2021 with over $400 million in cash and cash equivalents and is on track to recognizing $300 million in annual cost savings by 2023. Aurora Cannabis burnt $91.8 million in cash in Q4, a majority of which can be attributed toward interest payments and retirement of debt. This shows Aurora Cannabis will have to raise equity capital yet again to offset cash burn.

After accounting for its reverse split last year, Aurora Cannabis has increased its share count to 198 million in 2021 from just 1.3 million in June 2014.

During the recent earnings call, Aurora claimed it expects to report an adjusted EBITDA in the first half of fiscal 2022. But the company has consistently failed to deliver on its lofty promises and this outlook should be taken with a grain of salt.

Columbia Care stock is down 56% from all-time highs

Shares of U.S.-based cannabis producer Columbia Care are also trading 56% below all-time highs. The marijuana company is well poised to benefit from the recent wave of legalization in the U.S. as it has established a significant presence south of the border.

The company has gained traction via acquisitions as well. It recently acquired companies such as Green Leaf Medica, CannAscend, and Project Cannabis that have been highly accretive to its top-line. Columbia Care is now one of the largest multi-state operators with 31 cultivation and manufacturing facilities as well as 99 dispensaries.

It already has licenses to operate in 18 of the 36 states in the U.S. where pot is legalized for recreational use. The company confirms that when a state has legalized medical marijuana sales and then allows recreation sales, its revenue triples in such markets.

Analysts tracking Columbia Care expect sales to touch US$1.45 billion in 2024, up from just US$180 million in 2020, making it one of the largest marijuana stocks in the world.

The Foolish takeaway

While Aurora Cannabis is grappling with falling revenue and negative profit margins, Columbia Care is racing towards profitability while growing top-line at a healthy rate. Even in terms of valuation, ACB stock is trading at a forward price-to-sales multiple of 6.4 while Columbia Care is valued at just 2.4 times forward sales, making the latter a much better bet right now.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. CNSX:CCHW (Columbia Care)
2. NASDAQ:ACB (Aurora Cannabis)
3. TSX:ACB (Aurora Cannabis)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. araghunath
2. arosenberg

Category

1. Cannabis Stocks
2. Investing

Date
2025/08/16
Date Created
2021/10/18
Author
araghunath