



## Marijuana Stocks Are Getting Killed: Here's What to Do Now

### Description

We're finally getting more fundamental data out of the [marijuana sector](#) that will ultimately help us put a value to these marijuana stocks.

As I expected, it looks like the expectations that the stock price [valuations](#) were factoring in have been way too high.

Or I should say too much, too fast.

So the reaction of the biggest marijuana stocks after their earnings report has been quite telling in this respect. **Aphria Inc.** (TSX:APHA)(NYSE:APHA) reported its latest quarter results in October, and while revenue more than doubled, the stock has fallen 31% since this report was released.

EPS of \$0.09 was 10% lower than last year despite net income coming in 54% higher, reflecting a significantly higher number of shares outstanding.

Dilution in action.

Furthermore, a big portion of net income was due to a gain on long-term investments, and as such has nothing to do with the actual business.

**Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) stock price was down more than 10% at the time of writing on the day of its second quarter results release that came in below expectations on both the revenue and earnings fronts.

Revenue increased a disappointing 33% in the quarter, and the company's net loss of \$1.52 was significantly worse than expectations that were calling for a loss of \$0.11 amidst significantly higher expenses in order to fund growth plans and a lower than expected selling price.

Canopy Growth stock price is down 38% from its October highs.

## Aurora Cannabis Inc. ([TSX:ACB](#))(NYSE:ACB)

Aurora Cannabis stock price has fallen 11% since it reported its first quarter fiscal 2019 results that, on a revenue basis at least was pretty strong, at more than triple year ago levels.

So why is the stock down so much since then?

To find the answer, we have to dig down a little deeper into the results. While net income saw a massive increase this quarter, the underlying business of marijuana operated at a loss.

For all of these companies, uncertainty is high and cash burn is accelerating, leaving the possibility of additional shares being issued a very real one, consequently the risk of further dilution.

Make no mistake, these are normal issues that all growth companies are faced with, making these stocks higher risk stocks.

Given that marijuana stocks are still trading at extremely high valuations, however, they are still very vulnerable to wild price swings and big downside as the realities of the risks and expenses of being a growth business hits home.

Furthermore, interest rates are rising quickly, which decreases the net present value of stocks, leaving especially significant downside for the most highly valued stocks in the market.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)
4. TSX:WEED (Canopy Growth)

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1. Msn
2. Newscred
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### Category

1. Investing

### Date

2025/08/12

### Date Created

2018/11/16

### Author

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