



3 Things you Should Know Before Investing in Cronos Group Inc (TSX:CRON)

Description

Cannabis stocks have been getting some bad press lately. Between legalization problems, growing losses and [increasing short positions](#), producers are beginning to feel the heat. Critics have claimed that weed producers are focused too much on generating PR and too little on generating income. In part, the criticisms have been justified.

Cannabis stocks had always been the subject of much hype, and the industry's leaders played no small part in cultivating it. Now, with supply chain issues damaging the industry's goodwill, some are saying the hype-driven bubble has burst.

But that doesn't mean there aren't some good cannabis picks out there.

I've [often touted](#) **CannTrust Holdings Inc** as an "OK" cannabis stock whose management seemed committed to generating shareholder value. Aside from that, I didn't see much out there I liked. But after taking another look, I realized that another possible contender is **Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)). Like CannTrust, this company is more profitable than the industry average. But it also has some unique features that set it apart. We can start by looking at growth.

It's one of the fastest-growing companies

Cronos Group grew revenue at a steady pace of 186% year-over-year in Q3. It increased kilograms sold even more, at 213% year-over-year. Net income unfortunately swung back into negative territory after the company briefly eked out \$723,000 in Q2.

However, the company's operating loss was smaller than its net loss with a healthy gross profit of \$2 million. Overall, Cronos Group is growing its revenue without burning through cash, which is something most cannabis manufacturers can't boast.

It had positive net income last year

In 2017, Cronos Group managed to earn a positive net income of around \$2 million. The company's operating income was negative, although gross profit was a solid \$7 million. It's unclear whether

Cronos group will keep up these results into 2018, but for cannabis companies, even one year of positive earnings is enough to stand out from the crowd.

It was a lucrative cannabis oil business

Last but not least, Cronos group has a lucrative cannabis oil business, which currently makes up around 29% of its total sales. This is significant because cannabis oil is a somewhat less competitive market than cannabis plant material. Fewer producers offer the product, so it's easier to capture market share.

This may be a significant edge for a smaller producer like Cronos Group, which is up against larger competitors like **Canopy Growth Corp**, who would be hard to compete with on production of raw cannabis.

That said, at the end of the day, Cronos Group is indeed a cannabis stock, which means that it's operating in a highly competitive marketplace in which the main product is a commodity and black market competitors threatens to bring prices down. It goes without saying that Cronos' road to profitability will be tough. But as far as sales growth goes, it's one of the better cannabis stocks out there.

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Author

andrewbutton

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