



## 2 Big-Name Marijuana Stocks That Are Losing Money

### Description

The year 2019 has seen a resurgence of excitement for [marijuana stocks](#) after a period in 2018 when it looked like investors weren't willing to bear the risks of these names anymore.

But here we are three weeks into the new year and big-name marijuana stocks such as **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) and **Cronos Group Inc.** ([TSX:CRON](#))([NASDAQ:CRON](#)) are up sharply, 46% and 34% respectively, as CIBC initiates coverage and names these two stocks as their top marijuana stock picks.

This despite the fact that both of these companies are losing money today and may very well continue to lose money in 2019.

### Canopy Growth

Canopy's big vote of confidence came in the form of a big investment from Constellation Brands, which currently has a 38% stake in the company. This provided a boost to investor confidence in the company.

But dissecting Canopy's results for the six months ended September 2018; we're seeing the hallmarks of a growth company that's in the early stages of growth, which means that the company is not making any money.

In fact, it's losing significant amounts of money and is thus in dire need of financing.

This financing is coming from common share issuances and debt issuances to the tune of \$100,000, and \$600,000, respectively.

So shares outstanding are on the rise, increasing 22% to 200 million and diluting existing shareholders.

With 2019 looking to be similar to 2018 in terms of significant losses and heavy capital spending, there may be no rest for investors looking to gain exposure to the marijuana industry, as volatility will continue to rule the day and provide big gains as well as big losses.

## **Cronos Group**

In the first nine months of 2018, Cronos used almost \$35 million in cash flow for its operations and also raised money by issuing shares and effectively diluting its current shareholders.

Revenue did significantly increase, which is typical of marijuana companies, as this \$3.5 billion market cap company continues to expand its global footprint.

The Altria partnership is a game-changer for Cronos, and it is this type of confidence and financial backing that gives investors confidence in this stock.

## **Final thoughts**

In my view, investors should think about marijuana stocks as short-term trading opportunities for now.

The [long-term value](#) of any one of these marijuana stocks is highly volatile and subject to change given the lack of visibility and rapidly changing qualities of the marijuana industry and its constituents.

The stocks are expensive and still trading on sentiment and excitement, but if they've gotten ahead of themselves, how long will it take for this potential to catch up to the stock price?

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:CRON (Cronos Group)
3. TSX:CRON (Cronos Group)
4. TSX:WEED (Canopy Growth)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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