



These 2 Cannabis Stocks Just Dropped in Price, but Are They a Buy?

Description

It was a great week for cannabis stocks. Or at least, it would have been, but for Friday.

For some reason, investors took the opportunity to take their gains and go on a lot of cannabis stocks. **Canopy Growth Corp.**, **Aurora Cannabis Inc.**, and **Hexo Corp.** were just some of the stocks seeing losses that brought them back to Monday's share prices.

Two other cannabis stocks that saw a loss were **Cronos Group Inc.** ([TSX:CRON](#))(NYSE:CRON) and **Aphria Inc.** (TSX:APHA)(NYSE:APHA). These names have remained among many of the heavy hitters since legalization, but before you go ahead and buy more of the above stocks mentioned at these lower prices, let's look at whether it'd be such a great idea.

Cronos

It's not hard to find overvalued cannabis stocks, but when it comes to Cronos, it's pretty much a miracle that its share price has remained so high. This could be due to the recent closure of the deal between Cronos and **Altria Group**. The cigarette giant invested \$1.8 billion in the cannabis company, in return [getting a 45% stake in Cronos](#). This has given Cronos international reach overnight.

But international reach doesn't mean much if you don't have the product, and right now, Cronos only has the capacity to produce 120,000 kilograms. Hopefully it uses the Altria cash to expand, but it's all "coulds" and "shoulds" until there are any real announcements.

So while the deal is great for Cronos, and will be for investors in the far-off future, right now it's a waiting game. The stock is trading at about \$26 per share at writing, but analysts are putting its fair value closer to \$18. Ouch. So if it were me, I'd wait until the share price reaches that range before buying.

Aphria

Another stock fuelled by recent news is Aphria Inc. This cannabis company recently received a full production license from Health Canada to expand its Aphria One production facility. The news means that Aphria can seriously ramp up production in the 800,000 square-foot facility to [produce 115,000 kilograms per year](#).

While that's good news, it hasn't helped the recent drama surrounding Aphria. The company was accused by short sellers of purchasing shell companies in Latin America that proved to be "largely worthless," selling those companies almost immediately at insane prices to pocket the cash.

Of course the company denies these claims, and a report has since been released stating that Aphria paid a reasonable amount for the Latin American cannabis companies. But it definitely shook the stock for months.

Now the company is seeing a rebound, but analysts are still placing the current share price at pretty near fair value. In this case, it's a gamble to purchase it right now. While the news of a production license means Aphria could be back in the spot of lowest cost per gram of cannabis producer, it still needs to prove its worth to investors.

Bottom line

Both Cronos and Aphria have a ways to go to show investors that these companies deserve their money. At the end of this wild ride of a week, I'd be more interested in a few steadier options before heading down a potentially turbulent path like Cronos or Aphria.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. TSX:CRON (Cronos Group)

PARTNER-FEEDS

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

Category

1. Cannabis Stocks

2. Investing

Tags

1. Cannabis

Date

2025/07/06

Date Created

2019/03/24

Author

alegatewolfe

default watermark

default watermark