



What Cronos Group Inc.'s (TSX:CRON) Earnings Mean for Cannabis Stocks

Description

If you've been plugging your ears against the noise that is the cannabis industry this week, then you may not have heard about the latest fourth-quarter earnings report getting analysts going.

Cronos Group Inc. ([TSX:CRON](#))([NASDAQ:CRON](#)) announced a net loss on March 26, due to an increase in operating costs, missing analysts' estimates. The loss wasn't small either, with the company losing \$11.6 million, compared to a profit of \$2.1 million this same time last year.

But while this loss is important, it wasn't the only thing being reported by the company. Cronos also told investors about its huge increase in sales after legalization. The company saw revenue more than triple to \$5.6 million since the last earnings report on December 31.

So what does this mean for other cannabis companies? And where does Cronos stand among them?

Cronos' big break

While Cronos may be smaller than a lot of cannabis companies out there, it's still in the same position of growing its production and expanding into international markets, most notably the U.S.

The company [inked a deal with Altria Group Inc.](#) late last year that had investors thrilled at the news. The Marlboro cigarette maker would hold a 45% stake in the company after acquiring it for \$2.4 billion, with the option to boost that stake to 55% should the company prove worthy.

The deal would be a huge help to the cannabis company in expanding throughout the U.S. market, and in the short term its certainly helped as well. Cronos used some of that cash to fully pay off its credit with **Canadian Imperial Bank of Commerce** and **Bank of Montreal**.

Cronos also announced its acquisition of NatuEra in Colombia to expand its greenhouse capacity, though plans aren't available yet. And that's where Cronos has a problem.

Cronos currently has a growth capacity of about 40,000 kilograms of cannabis per year. It has a joint

venture to increase this capacity to about 70,000 kilograms called Cronos GrowCo, but that won't be available until 2020. This puts Cronos near the bottom of some of its bigger peers in terms of production. With legalization now in the rearview, Cronos may struggle to reach those same sales numbers.

Peer pressure

Cronos is certainly getting pressure to perform next to its peers. As I mentioned, the stock is near the bottom in terms of what it can produce. **Aurora Cannabis Inc.**, **Canopy Growth Corp.**, and **Aphria Inc.** are all already in the triple digits when it comes to kilograms produced per year. So Cronos has a lot of catching up to do.

It also has a lot of catching up in the revenue department, despite announcing a 248% increase. Canopy Growth reported revenue of \$83 million last quarter, and Aurora \$54 million. And, oh yeah, [Aurora's stock is also way cheaper](#), so there's that going for it as well.

Bottom line

While it wasn't the best news for Cronos, it wasn't all that bad for the cannabis industry as a whole. Granted, Cronos is going through the same growing pains as everyone else. Canopy is reinvesting so much back into its business, it probably will be posting a loss soon too.

But the difference is that Cronos is so much smaller, and those growing pains are going to hurt for a while before it finally reaches peak production.

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

2025/08/26

Date Created

2019/03/28

Author

alegatewolfe

default watermark

default watermark