



Is Cronos Group Inc. (TSX:CRON) a Buy After Earnings?

Description

Cronos Group ([TSX:CRON](#))([NASDAQ:CRON](#)) recently reported its much-anticipated [fourth-quarter earnings report](#). The legalization of recreational marijuana happened in the midst of the company's Q4 operations, and Cronos has been one of the best-performing pot stocks since the beginning of the year. Needless to say, expectations were high, but Cronos fell short of those expectations.

Revenues soar. So do net losses

On the positive side, Cronos's Q4 revenues grew to \$5.6 million, up from \$1.6 million, an increase of \$248%. For the entire year, revenue grew by 285%. This growth was driven primarily by the adult-use market and an increase in production capacity for Cronos. Cannabis oil products and the medical cannabis segment also contributed to Cronos's improving top line. However, the company's gross profit only grew by 55%, and the company reported a net loss of \$19,155 million.

Should you buy?

Cronos not yet being profitable was widely expected. But the company now finds itself in a bit of a bind. Cronos's sales and revenues aren't even near that of companies such as **Canopy** or **Aurora Cannabis**. Yet Cronos's share price is currently higher than that of Aurora — a company that certainly has its share of troubles but has the sales and revenues to back up its market position.

This bears repeating: the cannabis market is still in its infancy; that is true both in Canada and in the rest of the world. Cronos looked to be well positioned to take advantage of the industry's potential. The company possesses various provincial supply agreements, an international presence, and a partnership with tobacco giant **Altria**.

The company's partnership with Pohl-Boskamp to supply medical cannabis in Germany is also noteworthy. Outside North America, Germany is one of the biggest medical cannabis and CBD markets in the world.

Despite these advantages, though, Cronos seems to be left behind by many of its competitors in terms of sales and revenues. While the company will likely improve its operations and become profitable eventually, it is difficult to justify buying shares of Cronos over other cannabis companies right now.

How Cronos can become attractive again

Cronos shares dipped a bit — and were downgraded by various analysts — after the company's earnings were released. There are a few things Cronos could do to gain investors' trust back. The company has yet to enter the U.S. hemp market.

The U.S. is the largest market in the world, and despite recreational marijuana being illegal at the federal level, hemp, which was made legal late last year, offers pot companies an opportunity to establish a strong presence in the U.S. in anticipation of a potential change in marijuana laws. There may be other avenues for Cronos to follow, but unless the company does something, and does it fast, it's stock could come crashing down.

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