



Warning: Cannabis Stocks Increasingly Face Headwinds and Downgrades

Description

In 2019, [cannabis stocks](#) have continued their upward ride after a difficult end to 2018 saw stock prices tumble to levels that pretty much had wiped out 2018 gains.

But here we are three months into 2019 and marijuana stock prices are booming again.

Aphria Inc. (TSX:APHA)(NYSE:APHA) stock is down 43% from 2018 highs but on a one-year basis doing really well, with an 89% return.

Canopy Growth Corp. ([TSX:WEED](#))(NYSE:CGC) stock price is down 22% from its highs and up 448% versus one year ago.

Aurora Cannabis Inc. ([TSX:ACB](#))(NYSE:ACB) stock price is down 20% from its highs and up 34% versus a year ago.

And finally, **Cronos Group Inc.** ([TSX:CRON](#))(NYSE:CRON) stock price is down 23% from its 2018 highs and up 183% versus one year ago.

What happened?

In a report this week about Europe's pot industry, it came to light that a large European marijuana import deal was signed without any Canadian producers involved, and the reasons for this should be of interest to all marijuana stock investors and potential investors.

Farmako, a German research-based pharmaceutical company that strives to become a vertically integrated leader in the pharmaceutical cannabis industry, signed a large deal for cannabis coming from a Macedonian subsidiary of a Polish entity.

Farmako did contact Canadian suppliers for this but supply was short and prices very high, so a deal was not struck and Farmako moved on. So at this time, Canadian marijuana companies could not provide help to supply the German market.

Is all of the market's euphoria and expectations over international demand for cannabis from Canadian marijuana companies at risk?

If Canadian producers cannot meet the demand now, will they lose their chance and fall too far behind?

And even if they could meet the demand, it stands to reason that in the longer-term, these countries may not accept a situation whereby they are importing large amounts of cannabis products without even attempting to supply their own markets from within at a lower cost, thereby creating jobs and industry for their nations.

The downgrades begin

Canopy Growth Corp. is already seeing [downgrades](#) in earnings estimates, as is Aurora Cannabis.

For Canopy, consensus earnings estimates in the next two years have come down significantly. For this year, prior expectations were calling for a loss of \$1.47 per share, they are now calling for a loss of \$1.78 per share.

That's 21% lower, which is pretty significant.

Also, for reasons unrelated to Europe, Cronos stock was downgraded this week by three analysts, as they are citing a slow start to Canada's legal cannabis.

As they say, time is money, so that's not a good thing.

Final thoughts

This new information coming out of Germany, as well as the slow start in Canada, should make us begin to question if this demand boom that we are pricing into these marijuana stocks will actually come to fruition.

With estimates coming down and visibility remaining quite low, this is not a good place to be.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

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2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. TSX:ACB (Aurora Cannabis)
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