



Is the Bear Coming for Cannabis Stocks This Spring?

Description

Back in early February I discussed why many of the top cannabis stocks were [too hot to touch](#) for investors.

Scotiabank recently released a bearish outlook on the sector as we expect a flurry of earnings from the most recent quarter. The report pointed out that less cannabis was sold in January than in December 2018, and projected that this trend would lead to earnings misses across the industry.

Today we are going to review those same three stocks from February. Is the bear about to feast on this volatile sector in the spring? Let's find out.

Aphria (TSX:APHA)(NYSE:APHA)

Aphria stock plunged 14.24% after releasing its fiscal 2019 third-quarter results on April 15. Last week I'd warned investors about the hot market, but projected a [solid follow-up quarter](#) to Q2 fiscal 2019. Aphria did report a massive 617% year-over-year spike in revenue to \$73.6 million, but the stock still dove after it revealed a net loss of \$108.2 million.

Analysts had also expected over \$80 million in revenue. The net loss was largely due to a \$50 million non-cash impairment on its Latin American assets.

Aphria's Latin American assets were targeted in a Hindenburg Research short report back in December. That report drove the stock down to a 52-week low, but it has since bounced back. The Hindenburg team took shots at Aphria on **Twitter** after this most recent earnings report.

Aphria revealed that the weakness was also due to a deliberate pullback on its plants, which resulted in lower cannabis shipments.

No matter how you cut it, it's a disappointing quarter for Aphria.

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB)

Aurora Cannabis stock fell 3.89% on April 15. Shares have climbed 67.7% in 2019 so far. The stock hit a high for 2019 in mid-March after it announced that it had brought on billionaire investor Nelson Peltz as a strategist.

Aurora is expected to release its fiscal 2019 third-quarter results in early May. Alberta, where Aurora boasts its strongest footprint, is projected to become the second-largest legal weed market in Canada, according to a new forecast from BDS Analytics and Arcview Market Research. Still, in the near-term, Aurora is facing the same challenges as its peers.

Aurora stock has fallen from its high mid-March valuations, but is still very vulnerable as we await its next earnings report.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC)

Canopy Growth stock dropped 3.39% on April 15. Shares have climbed 48.5% in 2019 so far. The stock looked poised to challenge its all-time highs in late January, but shares have retreated steadily into mid-April.

Canopy Growth is expected to release its fiscal 2019 fourth-quarter and full-year results in mid-June. Some analysts have trimmed their projections for Canopy's revenue ahead of its next earnings report. Canopy Growth is the largest cannabis company in Canada by market cap, and recently vaulted into the **S&P/TSX 60 Index**.

Canopy Growth is still the most reliable name on the list considering its high-quality management team and the extent of its international footprint. Shares have fallen into more favourable price territory, but the stock is a dangerous pick up ahead of its June earnings release given the headwinds facing the sector.

CATEGORY

1. Bank Stocks
2. Cannabis Stocks
3. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)
4. TSX:WEED (Canopy Growth)

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