



Investor Alert: Canopy Growth (TSX:WEED) Falls 15% in the Last Month and Aurora Cannabis (TSX:ACB) Reports a Disappointing Quarter

Description

The S&P/TSX Composite Index is 2.5% below its highs at the time of writing today, as the broad [market selloff](#) continues.

With this, we are seeing increasingly nervous investors that are becoming more aware of the risks out there and less willing to overlook them.

As far as risk goes, the [cannabis](#) industry is certainly fraught with it, if only for the reason that this industry is new, so there will be growing pains, unexpected setbacks, and increased volatility in this growth stage.

Along with the huge potential for this industry, we get huge risks, and this makes sense because, as we know, higher potential rewards usually mean taking higher risk.

Let's look at two of the biggest cannabis companies and get an update on them and their stock price performance in the last month or so.

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

Revenue in Aurora's third quarter 2019 was 367% higher than last year and 21% higher than last quarter. Strong growth, indeed. The problem here, and the reason for the weakness in the stock price initially after the results were released, is that this revenue is below expectations, and this is a stock that is factoring in big expectations.

Aurora's adjusted EBITDA loss of \$36.6 million was an improvement but also below expectations. The company still expects to achieve positive adjusted EBITDA beginning in the fourth quarter of 2019.

In more good news, costs were down (by 26%), but offsetting this a bit was the fact that the selling price was also down (by 5.9).

At the time of writing, Aurora Cannabis stock is down more than 7% from April highs in a month that has seen much market weakness and a general nervousness in the market.

This, combined with Aurora's latest results and the risks in its business and valuation, will likely take the stock lower over the shorter term at least.

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

Canopy Growth stock is down approximately 15% since mid-April at a time when general market weakness is taking hold amid trade tensions and stock markets that are still flirting with all-time highs.

Canopy Growth will be reporting its results on June 20, with consensus expectations calling for a loss of \$0.23 per share. This compares to a loss of \$0.31 in the same quarter last year and a loss of \$0.38 last quarter.

Final thoughts

In closing, in an increasingly nervous market, cannabis stocks are not the best investments, especially when they are still trading at such lofty valuations and factoring in such aggressive growth targets.

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1. Cannabis Stocks
2. Investing

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