The 3 Worst-Performing Marijuana Stocks of 2019

Description

This year might go down in history as the year that marijuana stocks started to diverge. After 2018, which saw small- and large-cap stocks move together as a class, different producers began to rise or fall on their own merits rather than on sentiment toward marijuana stocks as a whole. Now, almost halfway through 2019, we're beginning to see which weed stocks are delivering consistent gains and which are beginning to flounder.

On the whole, 2019 has been an "OK" year for marijuana. **Horizons Marijuana Life Science ETF**, which tracks the entire sector, is up 32% year to date, after particularly strong gains early in the year. However, we're definitely seeing some weed stocks that are performing well below the class average. The following are three of the worst performers.

Tilray

Tilray (NASDAQ:TLRY) is by far the worst-performing large-cap weed stock of 2019, and the only stock on this list to be down year to date. Starting off the year at US$70, it was down to US$43 as of this writing — a 39% drop.

A pronounced Q4 miss is the most likely culprit for Tilray's rapid decline: although revenue was up 200% year over year, the net loss of $31 million was double the company's revenue. Another possible reason for Tilray's slide is the fact that the company had reached an insane valuation last year and was due for a correction.

Aphria

Overall, **Apria** (TSX:APHA)(NYSE:APHA) has done well this year, up 20% year to date as of this writing. However, its stock peaked at $14.21 in February, and if you'd held since then, you'd be down about 30%.

Reasons for Aphria's slide include a disappointing quarterly report that saw an earnings miss and a

34% reduction in recreational sales compared to the prior quarter. The decline in recreational cannabis was particularly alarming since it supports the claim that recreational cannabis sales would taper off after the novelty factor faded, although other marijuana producers have released earnings statements since then that showed growth.

CannTrust Holdings

Last but not least, we have **CannTrust Holdings** (TSX:TRST)(NYSE:CTST). Historically, CannTrust had been notable as one of the most profitable marijuana companies, having posted not only positive net income but also operating income. However, in Q4, CannTrust ended its profitable streak, posting a $25 million net loss and a negative cash flow of $7 million. By Q1 of 2019, these numbers had improved, but adjusted EBITDA remained negative.

In brighter news, the company slashed its cost per gram sold by about 50%, showing that it's becoming more profitable in its direct sales operations; however, this improved efficiency wasn't enough to make up for the introduction of excise taxes and other expenses.

CannTrust is currently working on a major expansion to its Perpetual Harvest Production facility — an investment that will enable the company to produce and sell more cannabis. This will undoubtedly have a positive impact on revenue, but in the short term, these expenses are hurting the profit picture.

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Date
2025/08/26
Date Created
2019/05/31
Author
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