



WARNING: These 2 Marijuana Stocks Could Collapse in the Second Half of 2019

Description

The second quarter of 2019 has not been kind to marijuana stocks. After getting off to a great start in Q1, many weed stocks started tanking in March, with the **Horizons Marijuana Life Science ETF** having shed 15% of its value since then. Although some marijuana stocks have fared better than others in this period, the general trend is decidedly negative, with some, like **Tilray Inc** ([NASDAQ:TLRY](#)) down as much as 40% this year.

This trend is perfectly in keeping with what I had predicted in the past, which is that 2019 would be the year when marijuana stocks would start to diverge based on their fundamentals instead of moving together as a class. In the lead-up to legalization, there was a massive amount of speculative frenzy regarding marijuana stocks, so they all moved together in anticipation of the big event.

Now, we're beginning to see post-legalization earnings start to roll in; as a result, the wheat is being separated from the chaff.

With that in mind, the following are two marijuana stocks that could collapse in the second half of 2019 if things don't turn around.

Aphria

Aphria Inc (TSX:APHA)(NYSE:APHA) has been one of the weakest-performing marijuana stocks in Q2, shedding 25% of its value since the beginning of April. Although the stock is up 20% year to date, you'd be in a sad place if you'd bought it at any time after February 21.

Aphria's tanking stock price is mainly a product of two things: mounting losses and declining recreational sales.

In Aphria's Q3 report, it revealed that its losses had grown considerably from where they were in the previous quarter, and in the same quarter a year before. Specifically, the company's net loss was \$108 million, down from a \$12 million Q2 loss in Q2 of 2019; while adjusted EBITDA from cannabis operations was \$-13,804,000, down from \$-6,073,000 a year before.

More worrying than the mounting losses, however, is the fact that Aphria's adult-use (recreational) sales are on the decline. In Q3, the company reported that its recreational sales had [slid 35% from Q2](#), which does not bode well for Aphria's future in this market.

Tilray

Tilray Inc ([NASDAQ:TLRY](#)) is probably [the biggest cannabis loser of 2019](#), having shed 40% of its market cap so far this year. As with Aphria, Tilray's decline has been driven by mounting losses: in Q1, the company's net loss was \$30 million, up from \$5 million in the same quarter a year before.

On the other hand, Tilray did see strong revenue growth in Q1, up 175% year over year. However, that's not particularly impressive for a cannabis company in its first quarter of legal recreational sales; many other producers grew sales by 200% to 600% year over year in the same period.

Another factor that could be sending Tilray lower is the simple fact that its stock rose artificially high last summer and has had a long way to fall since then. In the late-summer cannabis rally, Tilray, as a recent IPO, rose more than any of its competitors, up as much as 750% in a few months at one point. This was never justified by the company's fundamentals, so it's perhaps inevitable that the stock would suffer a long, painful fall back to earth.

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