



## 3 Overhyped Cannabis Stocks to Avoid Today

### Description

Everyone was expecting that the legalization of adult-use marijuana would create a “supernova” on the stock market. There was a [stellar explosion](#) but only in the valuations of the cannabis companies.

People are starting to realize that cannabis stocks are overhyped. The sky-high valuations are coming down and the period of reckoning is at hand. **Hexo** ([TSX:HEXO](#))(NYSE:HEXO), **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), and **Cronos** ([TSX:CRON](#))([NASDAQ:CRON](#)) are the overhyped cannabis stocks you should avoid.

### Hard sell mode

The medical application of marijuana as pain management in various illnesses is enough to heighten interest among pot stock investors. There’s no need to prop up this market that could reach US\$148.35 billion by 2028

But Hexo wants to exploit the marijuana craze and be on the spotlight. The cannabis grower entered into a joint venture with **Molson Coors Brewing**. Because of the perceived medical benefits of cannabidiol (CBD), the two companies announced plans to introduce CBD-infused beverages.

Hexo believes that non-alcoholic CBD-infused beverages would be a big hit. Meanwhile, Molson Coors is banking on the enormous potential sales of this new line of drinks to offset the weakening beer sales.

Canopy Growth was able to entice beer giant **Constellation Brands** to invest \$4 billion and become a partner in its quest to gain a significant share of the CBD beverages market. Hexo and Canopy are on hard sell mode when Health Canada has yet to legalize CBD-infused beverages and other derivatives.

The tentative launch date of the new products is December this year. However, Hexo and Canopy are entering a crowded space with big names like **Anheuser-Busch InBev** joining the fray. Sales could go flat as the stiff competition would lower prices and drive down profit margins.

Still, the first hurdle is the legalization by the regulatory agency.

## Overpriced cannabis stocks

The industry heavyweights along with the [second-tier cannabis operators](#) are in a tailspin since April of this year. Investment analysts agree that cannabis stocks are overvalued and overpriced.

After sealing a deal with global tobacco giant **Altria**, Cronos had the resources to gain substantial market share, and its stock price rose to as high as \$31.77 in early March. But the high growth didn't come, which was a big disappoint to eager investors. As of this writing, CRON is down 51.36% to \$15.45 from the said high.

Cronos is overvalued compared with industry peers. The \$1.8 billion Altria investment was the main reason for its sky-high valuation. Thus far in 2019, Cronos is reporting sub-par financial results. Cronos is undeserving of the premium valuation it enjoys today.

The company needs to accelerate growth because it has the slowest year-over-year revenue growth in the industry.

## High risk, high reward

The depressed prices of Hexo, Canopy Growth, and Cronos are tempting but be very cautious. There's a strong potential these cannabis stocks will deliver high returns to you in the future. However, let the companies execute the respective strategies first and not rely on the hype.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:CRON (Cronos Group)
3. NASDAQ:HEXO (HEXO Corp.)
4. TSX:CRON (Cronos Group)
5. TSX:HEXO (HEXO Corp.)
6. TSX:WEED (Canopy Growth)

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**Date**

2025/08/18

**Date Created**

2019/09/16

**Author**

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