



## Why Cronos Group (TSX:CRON) Is Still Not a Buy

### Description

The recent struggles in the marijuana sector have been attributed to two main causes.

First, several scandals have rocked the industry. Of course, the biggest one of them — and by far the most damaging — was the drama surrounding **CannTrust Holdings**.

Second, a lot of pundits have claimed that the cannabis bubble has finally burst. There may be some truth to this claim. In years past, we had nothing other than the perceived growth of marijuana sales worldwide underpinning much of our valuation of pot companies. But now that there is a significant amount of financial information available to investors, hopes and promises are no longer enough; they want results.

**Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) has been one of the most disappointing pot firms in this regard.

### An inflated stock price

Cronos has a lot going its way, most notably its partnership with **Altria**. This partnership allows the firm to have access to a lot of cash with which to fund its operations but also to benefit from Altria's vast experience. This factor was, without a doubt, one of the main engines behind the firm's shares skyrocketing at the beginning of the year. Sure, equity markets were recovering from a slump, and many other marijuana companies were performing well, but few of them performed nearly as well as Cronos.

Between January and early March, the firm's share price more than doubled. However, there was little by way of actual financial results that could justify this increase. When the results came in, analysts were left unimpressed, and investors were left sorely disappointed.

To be fair, Cronos has delivered sequential top-line increases consistently; the firm's revenues jumped from about \$3.7 million in September of last year to \$10.2 million in June. The firm's latest revenues also came in three times higher than consensus analyst estimates. However, the company's results (and future revenue estimates) lag that of its main competitors by quite a margin. Though Cronos delivered a net income in its latest reported quarter, this was mostly due to an accounting gain that had

little to do with its core operations.

In other words, the firm's bottom line wasn't as impressive as it seemed at first. Given Cronos's mixed results, it isn't surprising that the company's shares have fallen from their all-time highs, and despite the recent price correction, the company still trades at a hefty valuation.

## Why Cronos isn't a buy right now

Cronos is in search of opportunities to improve its financial performance. The firm recently [dipped its toes into the CBD segment](#) and is also looking to be a major player in the market for vaporizers, which are gaining in popularity among recreational marijuana consumers. Despite these potentially lucrative opportunities, it would be best to keep an arm's length away from Cronos for one simple reason: promises aren't substitutes for results. Until the firm can deliver performances on par with its competitors, the cannabis company doesn't look particularly attractive.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Cannabis
2. Editor's Choice

### TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. TSX:CRON (Cronos Group)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

### Category

1. Cannabis Stocks
2. Investing

### Tags

1. Cannabis
2. Editor's Choice

### Date

2025/08/24

**Date Created**

2019/09/27

**Author**

pbakiny

default watermark

default watermark