



2020 Market Crash: Aurora Cannabis (TSX:ACB) and Cronos Group (TSX:CRON) Slump Lower

Description

The broader markets are in correction mode this week. The **S&P/TSX Composite Index** is down close to 4% in the last two trading days as investors take stock of the impact of the dreaded coronavirus on global markets.

Most major indices around the world are trading in the red as well this week. The **Dow Jones Industrial Average Index** is down over 6.5%, while the **S&P 500** has declined 6.2% this week.

International trade and travel are set to be impacted severely over the next few months as China and other countries try to limit the damage from this virus which is now a pandemic.

The upcoming economic data from China and other major economies will give investors a detailed peek into the country's industrial activity. In the current market sell-off, cannabis stocks have continued to underperform indexes.

Cannabis giants such as **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) have lost 9% and 15%, respectively, in the last two days.

Cronos delays Q4 results

On February 24, Cronos Group announced that it will delay its fourth-quarter and full-year earnings previously scheduled for February 27, 2020. This announcement did not go down well with investors, resulting in a sell-off among pot stocks.

Cronos is one of the major players in Canada's marijuana space and a delay in results will keep investors worried. The Canadian pot industry has been struggling with structural and oversupply issues for a while, resulting in an elongated bear run for most stocks.

In case Cronos reports Q4 results below estimates, investors can expect the sell-off to continue for pot stocks. According to consensus estimates, Cronos revenue is estimated to grow 308.5% to \$17.02

million in the fourth quarter, while earnings per share are estimated at -\$0.04.

In the March quarter, revenue is estimated to grow 311.3% to \$21.55 million, while 2020 consensus revenue estimates stand at \$146.8 million, a growth of 207% year over year.

Aurora stock downgraded by Cowen

Shares of Aurora Cannabis are trading lower after investment bank Cowen downgraded the stock from outperform to market perform and revised its price target from \$6 to \$2.5. Aurora stock closed trading at \$2.01 yesterday.

Cowen is cautious about Canada's cannabis space and expects headwinds to impact sales and profit margins in the short-term. We have seen that pot stocks have been impacted by lower than expected demand due to cannibalization from illegal sales, slow rollout of retail stores and the vaping scandal.

These factors have driven inventory levels higher for Aurora Cannabis and peers. High inventory has resulted in million-dollar write-offs and lower profit margins.

Now, several marijuana producers [are struggling with low cash balances](#), which will mean they will have to infuse capital to keep operations running.

What next for investors?

Aurora Cannabis stock is trading 85% below its 52-week high, while Cronos stock is trading 75% below its 52-week high.

The weakness in pot stocks may very well continue to hurt investors in 2020.

With the coronavirus outbreak, cannabis sales in Canada and major international markets can fall lower, further extending the bear run among pot stocks.

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1. Cannabis Stocks
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2. NASDAQ:CRON (Cronos Group)
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