



Why the Cronos Group Stock Price Fell 18.3% in February

Description

The **Cronos Group Inc.** ([TSX:CRON](#))([NASDAQ:CRON](#)) stock price fell 18.3% in February. The market continues to fall and company-specific uncertainty remains high. This is making any prediction for the Cronos Group stock price very uncertain and precarious.

[Fears of the potential severity of the coronavirus](#) have ruled the market since February. This certainly continues today. As I write this article, I am struck by the downside that we are seeing. Cronos Group must deal not only with this, but also with sector and company-specific problems. Let's take a closer look.

Cronos Group stock price falls on results release delay

Cronos Group took the unusual move of delaying the release of its fourth-quarter and year-end 2019 results. Obviously, this took the stock down hard in February. We can only imagine what bad news awaits us from Cronos Group.

The earnings release was initially scheduled for February 27. But a few days before this date, the company notified investors that there was a delay in the completion of financial statements. A few days later, the company filed a form 12b-25 with the U.S. Securities and Exchange Commission (SEC). This effectively provides the company with a 15-day extension of the filing due date. At this point, we are just waiting for this dreaded release.

Accounting review uncertainty to continue to take Cronos stock price down

The issue here is quite alarming. In the company's SEC filing to delay the release, we got somewhat of an explanation. The accounting review is a review "of several bulk resin purchases and sales of products through the wholesale channel". "The appropriateness of the recognition of revenue from those transactions" is being questioned. This effectively [places past as well as future revenue growth into question.](#)

The accounting issue also compounds the already existing problems in the cannabis sector. Problems such as a troubled legalization process in Canada and an oversupply of cannabis have taken a toll. A general bubble-like mentality in cannabis stock prices have already wreaked havoc on the sector.

On the positive side, Cronos Group remains well supported by its partnership with tobacco giant Altria Group Inc. This partnership has given Cronos Group greater financial capacity as well as leading technology and research and development capabilities. This partnership brings benefits to Cronos in distribution, capacity, brand development, and intellectual property.

Financially, Cronos Group reported revenue of \$12.7 million in its latest released quarter (Q3 2019). This represents a 24% increase versus the prior quarter and a 238% increase versus the prior year. Cronos Group had \$2 billion in cash as of the third quarter, and a cash burn of \$100 million. Cronos stock price valuation remains problematic, at 77 times sales.

Going forward, this accounting review has placed a serious amount of uncertainty on the future of Cronos Group stock price. This, at a time when market uncertainty continues to escalate to near unprecedented levels.

Foolish bottom line

Cronos Group stock price suffered in February due to a combination of both macro factors, and sector and company-specific factors. The stock continues to be very richly valued. With revenue growth being put into question, the risk to the stock price remains high.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

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

Date

2025/08/25

Date Created

2020/03/09

Author

karenjennifer

default watermark

default watermark