



Weed Stocks That Are Major Disappointments in 2021

Description

New Frontier Data mentions cannabis as a fast-growing industry. Its recent report project sales in the U.S. to grow by 21% annually from 2019 to 2025. However, this year's performance of [weed stocks](#) is lackluster and investors aren't making hay, even in industry leaders.

Instead, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), **Cronos** ([TSX:CRON](#))([NASDAQ:CRON](#)), and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) are money pits and are therefore major disappointments in 2021.

Tops in medical cannabis

People have every reason to continue avoiding Aurora Cannabis. While the stock is up 4.53% year to date, the trailing one-year price return is -42.44%. Moreover, its most recent quarterly results were dismal as usual. Also, using its common stock as collateral to pursue acquisitions or fund daily operations is a turn-off to investors.

Aurora is far from profitability to this day despite massive cost-cutting measures, including plant closures and job layoffs. In Q3 fiscal 2021 (quarter ended March 31, 2021), total net revenue fell 25% versus the same period last year. The medical cannabis revenue, however, increased 17% to \$36.3 million.

Aurora CEO Miguel Martin said, "We delivered the strongest performance in domestic medical and the best results in international medical cannabis of any Canadian LP during the period." Management will also slash costs annually by \$60 million to \$80 million over the next 18 months. Note that the weed stock moved from the **NYSE** to **NASDAQ** on May 24, 2021.

Disruptive technology

Cronos (+17.42% year-to-date) outperforms Aurora Cannabis and Canopy Growth thus far in 2021, but it doesn't necessarily mean the weed stock is a good buy. The \$3.85 billion global cannabinoid

company's net revenue in Q1 2021 (quarter ended March 31, 2021) increased 12% versus Q1 2020.

However, it reported a net loss of US\$161.6 million compared to the US\$75.6 million net income during the same period last year. Despite its size relative to peers, Cronos commands a small market share. Likewise, the company has yet to get the most from the growth investment by Marlboro maker **Altria**.

Management's recent move was to amend its agreement with Ginkgo Bioworks. As a result, Cronos can now commercialize products using cultured cannabinoids ahead of reaching the originally stated productivity targets. The pair is building the leading horizontal platform for cell programming.

Cronos President and CEO Kurt Schmidt believes the company will have a disruptive technology if it leverages Ginkgo's research platform and its fermentation manufacturing capabilities.

Need to build momentum

Industry leader Canopy Growth (-6.48% year-to-date) is the worst performer among the three weed stocks. The stock price has climbed to as high as \$66.21 on February 10, 2021, but the rally did not sustain. As of June 4, 2021, WEED trades at \$29.29 per share, or 55.76% lower than its February peak.

In the fiscal year 2021 (year ended March 31, 2021), Canopy's strong double-digit growth in its cannabis and other consumer products businesses resulted in a 37% revenue growth versus FY fiscal 2020. However, its net loss deteriorated to \$1.7 billion compared to \$1.4 billion.

Canopy Growth has several growth drivers that include flowers, vapes, edibles, and beverages. It needs to [build momentum](#) across these key product lines to recover lost ground in the domestic market.

Nothing to get excited about

The cannabis industry is rapidly growing, but top weed stocks aren't eliciting excitement. I think only the federal legalization of marijuana in the U.S. will prop them up.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. TSX:ACB (Aurora Cannabis)
5. TSX:CRON (Cronos Group)
6. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/07/21

Date Created

2021/06/08

Author

cliew

default watermark

default watermark