



These 5 Cannabis Stocks Are High-Risk Holdings Like Bitcoin

Description

If marijuana is indeed a fast-growing space, how come none of the major cannabis stocks are winning investments in 2021? While industry experts project global sales to reach \$33.6 billion by 2025, the presumed [growth stocks](#) face many challenges. The market across the border is huge, although the federal legalization of marijuana hangs in the balance.

Apart from legality, [cannabis companies](#) don't have access to traditional banking services yet within the U.S. Marijuana companies might have problems raising capital for future growth due to the interest rate hike in 2022. Somehow, and given the current industry situation, it appears that cannabis stocks are high-risk holdings like [Bitcoin](#).

Profitability is top priority

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is the industry leader. Its outgoing CFO, Mike Lee, said, "Achieving profitability remains a top priority. We are focused on increasing market share in Canada, premiumizing our product mix and delivering on our cost savings commitment."

In Q2 fiscal 2022 (quarter ended September 30, 2021), net revenue declined 3% versus fiscal 2021, although net loss reduced by \$80 million to \$16 million. Still, at \$11.18 per share, WEED is down 64.3% year to date. After management pushed back its profitability targets, board director Garth Hankinson resigned.

Lee and chief product officer Rade Kovacevic will vacate their posts effective December 31, 2021. Some observers say the executive departures could be a sign of disarray within the organization. Others believe the influence of **Constellation Brands** is negative.

Transformation plan

Aurora Cannabis ([TSX:ACB](#))([NASDAQ:ACB](#)) investors are losing by 34.43% year to date, and the stock price is down to \$6.95. According to management, its transformation plan is on track. The \$1.54

billion company will continue to strengthen and transform its business while it benefits from broad diversification in international medical, domestic medical, and adult recreational segments.

However, in Q1 fiscal 2022, Aurora's total net revenue dropped 11% versus Q1 fiscal 2021. Likewise, the company posted an Adjusted EBITDA loss of \$12.1 million. Although losses are narrowing, the road to profitability isn't visible.

Paradigm shift

Tilray ([TSX:TLRY](#))([NASDAQ:TLRY](#)) is currently the largest global cannabis cultivator. Unfortunately, its industry position doesn't reflect on the stock performance. At \$9 per share, it has lost 60.84% in six months. Also, the 10 consecutive quarters of positive adjusted EBITDA wasn't enough to whet investors' appetites.

In Q1 fiscal 2022, net loss increased 59.45% to US\$34.6 million versus Q1 fiscal 2021. Still, Tilray chairman and CEO Irwin D. Simon said the quarterly results affirm the company is executing against two key objectives amid the paradigm shift towards global cannabis legalization. The goal is to maximize near-term profitability and capitalize on global market opportunities.

Worst and another underperformer

HEXO ([TSX:HEXO](#))([NASDAQ:HEXO](#)) is the worst performer, while **Cronos** ([TSX:CRON](#))([NASDAQ:CRON](#)) is a losing investment too. The former is down by -80.73% and the latter is underperforming with -44.34%.

In Q1 fiscal 2022, HEXO reported losses of \$116.9 million which prompted management to announce a new strategic plan. The plan aims to reduce costs, streamline the business, and improve growth. Meanwhile, the announcement of Cronos about the delay in reporting its quarterly report will hurt the stock even more.

Piling losses not profits

Bitcoin displays extreme volatility, but unlike cannabis stocks, the crypto delivered gains in 2021. The five companies will not attract investors if they continue to report losses in 2022.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:CRON (Cronos Group)
4. NASDAQ:HEXO (HEXO Corp.)
5. NASDAQ:TLRY (Tilray)

6. TSX:ACB (Aurora Cannabis)
7. TSX:CRON (Cronos Group)
8. TSX:HEXO (HEXO Corp.)
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