



## Is Cronos Group (TSX:CRON) a Buy After its 1st-Quarter Performance?

### Description

Yesterday, **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) [reported](#) a solid first-quarter performance, with its top line outperforming analysts' expectations by \$1.24 million. Its net losses declined from \$161.6 million in the previous year's quarter to \$32.7 million. Strong sales and a substantial decline in its net losses have increased investors' confidence, increasing its stock price.

Yesterday, Cronos Group's stock price rose to \$4.38 before closing at \$4.13, representing a 13.2% increase from its previous day's closing price. Despite yesterday's surge, the company is still trading over 17% lower for this year. So, will Cronos Group be an excellent buy at these levels amid its improving financials? Meanwhile, let us first look at its first-quarter performance in more detail.

### Cronos Group's first-quarter performance

Cronos Group's first-quarter revenue came in at \$25 million, representing a 99% growth from its previous year's quarter. The growth in medical cannabis sales in Israel and the strengthening of its market share in the Canadian adult-use market drove its revenue. During the quarter, the company had increased its market share in the gummies and vapes categories.

Notably, Cronos Group's gross margin also expanded from minus 23% to a positive 28% amid higher revenue from cannabis flows, the introduction of higher-margin cannabis extract products, and lower inventory valuation adjustments. The improvement in its gross margin and lower sales and marketing and R&D expenses led its net losses to contract by around 80%. The company also lowered its capital expenditures by \$6.3 million to just \$0.7 million. Meanwhile, its balance sheet looks solid, as its cash and cash equivalents stand at \$1 billion at the end of the quarter.

After analyzing its first-quarter performance, let us assess its growth prospects.

### Growth prospects

Cronos Group is focusing on expanding its presence in Canada and Israel. In the Canadian

recreational market, it expanded its product offering by launching new products in the gummies, vapes, and flower categories. It also plans to introduce Cosmic Green Apple and Polar Mint Vortex this month across several provinces, which could further strengthen its position in the vapes category. The company also focuses on enhancing its customer experience by developing blends of rare cannabinoids by breeding proprietary genetics.

In Israel, the company has witnessed a solid 40% growth in its volumes during the quarter. So, the company is focusing on bringing new innovative offerings to the country to boost its sales.

Further, its management has initiated a strategic plan to realign the business around its brands, centralize its functions under common leadership, and strengthen its supply chain. The company's strategic realignment initiatives could deliver \$20-\$25 million in saving for this year, thus aiding the company in moving towards profitable and sustainable business. So, the company's outlook looks healthy.

## Bottom line

Despite a substantial improvement in its financials, Cronos Group remains a [high-risk, high-reward stock](#), given the softness in the cannabis sector due to the delay in the federal approval for cannabis and its higher valuation. So, investors with a higher risk tolerance capacity can buy the stock.

Analysts favour a "hold" rating for the stock. Out of the 13 analysts covering Cronos Group, eight have issued a "hold" rating, while four analysts favor a "buy" rating, and the remaining one analyst has given a "sell" rating. Analysts' consensus price target represents an upside potential of over 23%.

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