

## Why Canopy Growth Corp (TSX:WEED) Fell 25% Last Month

### Description

This past week was another brutal one for cannabis stocks, with **Aphria Inc** shedding 43% of its value in just five days. **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) was also hit hard, sliding 9% on Monday and Tuesday. This isn't the first time either of these stocks took a big hit. October and November were brutal months for cannabis stocks, witnessing a massive bear run that began almost immediately on October 17—the day legalization hit.

Canopy in particular is an interesting case study here. By far the largest cannabis company by revenue, it was one of the ones hardest hit in the selloff. It fell about 25% between November 7 and November 30, after beginning to slide in October. This perplexed some observers because Canopy is one of the best-funded and most globally integrated of Canada's cannabis producers.

But when we look at what's happening at the business, it's no surprise that the stock slid. We can start by taking a look at what happened with legalization.

### Legalization woes

Legalization may have been the disappointment of the year for the cannabis industry. What was widely expected to send cannabis stocks soaring actually ignited a massive bear that continues to this day. [Supply shortages](#) left many cannabis shops closed for weeks, while government crackdowns on dispensaries hurt medical pot sales.

To be sure, broader stock market sluggishness has affected how cannabis stocks fared during this period. But since cannabis stocks fell more than most, it can't be blamed on that alone.

For the sake of fairness, I should mention that we haven't yet seen an earnings report from Canopy that accounts for a full three months of legal cannabis. But its most recent one included some early test shipments of recreational cannabis, and they didn't stop earnings growth from slowing to 33%. At the same time, net losses ballooned to over \$300 million!

### Hype train running out

Another factor hurting Canopy shares right now is the lessening of hype surrounding cannabis. You probably don't need me to tell you that interest in cannabis stocks has been propped up by the mountains of ink spilled on them in the financial press—of which Canopy was the main beneficiary.

With legalization in the past, all that buzz is starting to die down and cannabis stocks no longer have the hype factor they once did. Now Canopy has to court investors who look at boring things like earnings; the losses are therefore becoming more of a liability.

### Shorters move in

Last but not least, shorters are closing in on Canopy in a big way. Last month I wrote about how [Andrew Left](#) was shorting marijuana stocks like Canopy and **Tilray**. This month, it's looking like he's

not alone, as there are currently 1.8 million Canopy shares short as of December 4. Granted, as a percentage of total shares, this isn't that high. But it goes to show that the number of investors taking short positions in Canopy is on the rise, as the percentage short has nearly doubled since November 20.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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2. TSX:WEED (Canopy Growth)

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