
# What’s Happening With Canopy Growth (TSX:WEED) Stock?

## Description

In case you haven’t heard, **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) is going through quite the slump recently. After some major shakeups at the company, Canopy recently posted some incredibly poor results that now have investors extremely worried, and dropping shares like a hot stone.



For a brief refresher, a lot of the recent movement can be traced back to Canopy’s partnership with **Constellation Brands Inc.**, which gave the company a whopping US$4 billion for a major stake in the company almost exactly a year ago.

Since then, the marijuana market in general hasn’t been performing all that great, but it looks like there might have been a few other things going on behind the scenes.

Most recently, founder and CEO Bruce Linton was pushed out by Constellation, as the company’s “innovator” might have been delivering a lot of great ideas as the visionary of the company, but Constellation wanted to see more financial results. Perhaps they were more aware of what was coming down the road than the rest of investors.

What eventually came down on investors was some incredibly poor financial results, right after some positive ones from Canopy’s peers. I’ll get to some of the details, but the big headline was that Canopy reported a loss of $1.28 billion for the quarter. Some of the other pieces of bad news include gross recreational cannabis revenue falling 11.4%, and absolutely no organic international sales growth.

Analysts almost immediately corrected the company’s expected share price, with many believing the company will perform about the same as the market, but will likely expect the share price to hit between $45 and $70 per share. The stock trades around $35 per share as of writing, a drop of 15% since the earnings results were released.

But here are some of the positive things to take away from this quarter’s report, and as always with Canopy it’s about looking to the future. The amount of cannabis harvested grew 183% from the last quarter, and in fact had the largest quarterly harvest of any Canadian cannabis producer.

Canopy reported $394 million of derivatives inventory on hand, with $93 million in finished products for when Cannabis 2.0 hits the markets later this year. And while that $1.28 billion loss is enormous, it mainly comes from one source: Constellation Brands.

Constellation said it would extinguish $1.18 billion of warrants held by the company, meaning without that the company would have reported a loss of about $105 million. That a lot closer to what Wall Street had predicted at $107.1 million.

What this means is while that loss will certainly be felt by the company, it's a one-time thing. In the short term, hopefully the company cuts back on spending and acquisitions until a full-time CEO is in place.

What many analysts believe investors should remember is that cannabis is still in its infancy, setting up for the long-term rather than providing short-term gains. Canopy thinks so too, with its interim-CEO Mark Zekulin predicting the company will achieve revenue of $1 billion by the end of 2020, and will be profitable within the next three to five years.

Meanwhile, Canopy still has a lot of cash on hand, with $3.1 billion in cash and cash equivalents. If the company can just cut back for a bit, investors should see a big change between this quarter and the next.

For the patient investor, where Canopy will really set off is through its expansion into the United States, where its hemp products are already being organized, and which provides the company with inroads if the U.S. legalizes marijuana. The company expects to launch cannabidiol (CBD) products in the U.S. by the end of this year.



So that's what it comes down to for Canopy: patience. Now could even be a time to buy while the stock is so far down. Most analysts don't expect such a loss again, though be aware you'll have to wait a couple of years to see some major growth out of Canopy.

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