



## Why Canopy Growth (TSX:WEED) Stock Fell 25% in August 2019

### Description

Shares of Canada's leading pot stock **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) fell 25% in August 2019. Canopy Growth has lost close to \$4 billion in market value last month. So, what drove Canopy Growth stock lower?

### Canopy's first-quarter results

Canopy Growth announced its fiscal first quarter of fiscal 2020 (ended in June) results on August 14, 2019. It reported revenue of \$90.5 million with adjusted earnings per share (or EPS) of -\$0.30 in the first quarter. This was above analyst revenue estimates of \$86 million and EPS estimate of -\$0.37.

However, Canopy Growth stock fell 14.5% on August 15, as investors were unimpressed with the [company's unadjusted net loss](#) amounting to a massive \$1.28 billion. Canopy Growth attributed the loss to its expansion efforts as well as its acquisition of Acreage Holdings.

Earlier this year, Canopy Growth agreed to acquire Acreage for \$3.4 billion. Acreage Holdings is a U.S.-based vertically integrated cannabis company. Investors were also worried about less than impressive sales in Canopy's oils and gels business segment, driving its stock lower.

### Constellation Brands books huge loss

Canopy Growth stock fell 6% on August 27 after its largest investor, **Constellation Brands** ([NYSE:STZ](#)) expects to book a loss of \$54.8 million in the second quarter of fiscal 2020 (ended in August).

Constellation has attributed this loss to its investment in Canopy Growth. The total loss in the six months is expected to be \$132 million for Constellation.

Constellation Brands had initially invested \$190 million in Canopy Growth back in 2017 for a 10% stake. It has since increased its investments to \$4 billion and now holds over 35% in Canopy Growth.

The last month saw several Cannabis stocks lose value. **Aurora Cannabis** was down 12%, while **CannTrust**, and **Hexo** lost 26% and 6% respectively. The **Horizons Marijuana Life Sciences Index ETF** fell 13% in August 2019.

## What next for Canopy Growth?

Canopy Growth investors have had a few rough months heading into September. The stock has fallen by a significant 54% since April 29, 2019. In July of this year, Canopy Growth's [board of directors ousted](#) its founder and CEO Bruce Linton due to its piling losses.

While Canopy Growth is still booking massive losses, its management expects the firm to reach profitability within the next three to five years. It will continue to grow revenue at a considerable pace.

The total available market is estimated to expand robustly over the next few years and Canopy wants to focus on laying a strong foundation to benefit from this growth.

Canopy Growth wants to develop intellectual property, build brand value, expand to international markets and scale efficiently to grow sales as well as the bottom line.

During the earnings call, company CEO Mark Zekulin stated, "We are fixated on the process of evolving from builders to operators over the remainder of this fiscal year, meaning that as our expansion program comes to a close in Canada, and as new value-add products come to market in Canada, we demonstrate a sustainable, high margin, profitable Canadian business."

Canopy Growth stock is one of the largest players in the cannabis space. It is trading at an attractive price after the recent pullback. Analysts also remain optimistic about Canopy and have a 12-month average target price of \$56.67 which is 80% higher than the current trading price.

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1. Cannabis Stocks
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1. NASDAQ:CGC (Canopy Growth)
2. NYSE:STZ (Constellation Brands Inc.)
3. TSX:WEED (Canopy Growth)

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