1 Weed Stock Company That Lost Over $800 Million in 3 Months

Description

The year 2020 was a bad one for a lot of industries, but weirdly, marijuana wasn't one of them. The month-to-month cannabis sales rose at a much higher rate than they did in 2019, finally hitting their peak in October where monthly retail sales reached $270 million. It tapered off a bit in November, and the December numbers aren't clear yet.

This small spike in sales was also good news for investors with weed stocks in their portfolios because they finally saw their holdings grow. Most major players in the green industry saw their stock price spike, including **Canopy Growth** (TSX:WEED)(NYSE:CGC). The share price has risen 98% in this year alone. But the good news of growing share prices has been marred a bit by the loss the company recently posted.

Q3 losses

Canopy Growth recently announced its third-quarter results that ended in December, and despite the overall Cannabis industry and retail sales growth, and the fact that it grew its revenue by 23%, the company still bore a massive $829.3 million loss — a significant rise from last year's loss of $109 million for the same quarter.

What's even weirder is that the company significantly cut back costs and scaled back operations, especially its Canadian wing. The scaling back resulted in almost 220 departures and was responsible for over $200 million in yearly cost savings. Still, the company couldn't hit its profitability target and has set the goal for next year.

The industry outlook

One of the major reasons that not only Canopy but other major pot producers suffered losses as wellas the surplus supply that couldn't fly off the shelf. And Canopy might not be the only company in the industry to scale production back. But the outlook for the U.S. market seems relatively brighter, and it's one of the reasons why Canopy stock is still soaring, even after posting significant losses.

If more states start legalizing marijuana, Canadian pot producers might find more avenues across the border. It would especially be beneficial for companies that already have acquisitions and premises in the US since they will be able to avoid costly supply chain and inventory mishaps. But that's not all there is.

One of the reasons why Canadian cannabis retail has suffered is and always has been the black market, but the complexity and grueling legal system is a reason as well. If the retail licensing process picks up pace, Canadian marijuana companies might be able to cover more ground locally as well.

Foolish takeaway

Weed stocks might be too overpriced right now, but the chances that they might keep growing at a rapid pace are high, and that's one of the reasons why investors are still flocking to these companies. If global or even U.S. legalization picks up momentum, Cannabis producers might actually start hitting their revenue and profit goals.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Date
2025/07/27
Date Created
2021/02/16
Author

adamothman