Earnings Miss Has Canopy Growth on the Outside Looking in

**Description**

**Canopy Growth** (TSX:WEED)(NYSE:CGC) had an impressive start to the year. Indeed, Canopy Growth saw its stock price increase from under $25 per share to start the year to more than $70 per share in February. A near-tripling in approximately one month is some pretty insane momentum indeed.



However, of late, shares of Canopy are back to trading below $30 per share. Accordingly, investors looking for hyper-growth stocks at more reasonable prices may be enticed by this stock right now.

Let's discuss why the drop has taken place and whether loading up on Canopy stock right now is a good idea.

## Fourth-quarter earnings failed to meet analysts' estimates

For companies in incredibly high-growth segments such as cannabis, quarterly earnings mean more than for, say, a company that's been around for 100 years and is operating in a mature industry, paying a large dividend. That's because the company's growth trajectory matters much more to investors that anything else.

This past quarter didn't really get investors excited. Canopy Growth reported revenue of approximately $148 million. This amounted to a 38% growth rate year over year. That's decent but really not what investors were hoping for. On a quarter-over-quarter basis, this only amounted to a 3% increase.

Additionally, Canopy Growth's net loss during the quarter was a whopping $616 million. That's more than four times what the company brought in in terms of revenue.

These losses are starting to pile up, and Canopy Growth's $1.67 billion loss for this past fiscal year highlights the profitability concern many investors have with this stock. Yes, the majority of these losses were due to asset and inventory impairment charges. However, these impairment charges indicate the company's relatively lax capital-allocation processes.

Accordingly, Canopy Growth is now in a position where it's focusing more on cutting costs than generating growth. This sort of a situation obviously isn't good for long-term growth investors in such stocks.

## Bottom line

Canopy Growth's financials are finally starting to bite investors on the behind.

Indeed, this company's growth story has been overshadowed by its poor capital-allocation choices in the past. The company projects it will burn approximately $400 million next year and $125 million in 2023. That level of cash burn means investors are likely to wait three or more years to see positive cash flow materialize. That's a heck of a lot longer than many initially expected.

Couple this reality with the fact that U.S. legalization may take a while to materialize, if at all, and there's a tsunami of reasons to not jump into WEED stock quite yet.

**CATEGORY**

1. Cannabis Stocks
2. Investing

**POST TAG**

1. Cannabis
2. Cannabis Stocks
3. growth
4. growth stocks
5. investing
6. market
7. Stocks



**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. Cannabis Stocks
2. Investing

**Tags**

1. Cannabis
2. Cannabis Stocks
3. growth
4. growth stocks
5. investing
6. market
7. Stocks

**Date**
2025/07/20
**Date Created**
2021/06/16
**Author**
chrismacdonald