



## Why Canopy Growth's (TSX:WEED) Stock Price Has Fallen 57% in 6 Months

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock has been tanking over the past six months. Since March 13, it has fallen a whopping 57%. Despite a massive earnings beat in its most recent quarter, WEED just keeps tumbling into the abyss. In this article, I will outline a few main reasons why that is the case.

### Rising losses

One big reason why [Canopy Growth keeps falling](#) is because it keeps losing money quarter after quarter. At the start of this article, I did mention an earnings beat in the most recent quarter, but I'll address that shortly. It wasn't really quite the beat that it appeared to be at first glance.

Apart from that one quarter, Canopy just keeps losing money year after year:

- In fiscal 2021, it lost \$1.6 billion.
- In 2020, it lost \$1.3 billion.
- Both of these fiscal years also saw operating losses in excess of a billion dollars.

Put simply, the company is just bleeding cash — so much so that it is beginning to dry up the \$5 billion in cash it got from **Constellation Brands**. In 2018, Canopy got a massive infusion of cash from Constellation, which was supposed to be used to grow the business. It was a huge deal at the time. But after \$2.9 billion in quarterly losses, the \$5 billion is close to being totally used up, and Canopy has very little to show for it.

### A deceptive “earnings beat”

Related to Canopy's long-term earnings trend is its most recent quarter. Technically, earnings were positive to the tune of \$389 million. However, this wasn't really such an impressive feat as it appeared to be. While Canopy did earn \$389 million in GAAP terms, it also

- Lost \$187 million from operations; and
- Had a \$165 million net cash outflow from operations.

Put simply, the \$389 million in GAAP net income was not supported by operating results or cash flows. It was most likely due to the [\\$685 million in fair-value adjustments](#) Canopy recorded in the quarter, which don't affect cash profits.

## U.S. legalization taking a long time

A final factor contributing to Canopy Growth's slide is the fact that U.S. legalization is taking an awfully long time. Canadian cannabis legalization is almost three years in the past at this point. The revenue boost that came from that has already occurred, and now deceleration is underway. In order for cannabis companies to continue growing (pardon the pun), they're going to need to break into new markets. The U.S. is the obvious place to look.

Unfortunately, U.S. legalization is taking much longer than many had hoped. While several U.S. states have legalized cannabis, federal legalization doesn't look to be happening any time soon. Many progressives hoped that Joe Biden would legalize cannabis, but he isn't doing so. So, investors are going to have to wait until a new multi-billion-dollar legal market opens for Canada's biggest cannabis companies. It seems many of them are choosing not to wait, opting to sell their shares instead.

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