2 Weed Stocks With Shocking Declines of Up to 40%

Description

Growth investors can't hide their displeasure with **Canopy Growth** (TSX:WEED)(NYSE:CGC) and **Tilray** (TSX:TLRY)(NASDAQ:TLRY). The weed stocks are industry leaders, yet they have not delivered the goods. Smaller cannabis producers are doing far better than both of these stocks. Their year-to-date losses are up to 40%, which is indeed shocking.

Still, some market analysts recommend a hold rating if you still own either growth stock. They forecast upside potential of more than 55% in the next 12 months.

Dismal fiscal 2021

Canopy Growth hasn't been up to par in so far as investors' expectations are concerned. WEED had a terrific run since democrat Joe Biden won the U.S. presidency. The share price rallied to as high as $66.21 on February 10, 2021. Investors thought the rally would sustain.

Unfortunately, a downturn followed before it went on a tailspin. As of September 17, 2021, you can purchase Canopy Growth at $18.72% per share. The financial results do not align with the hype. While net revenue in the fiscal year 2021 (year ended March 31, 2021) increased 37% versus fiscal 2020, the net loss ($1.7 billion) was wider year-over-year.

According to management, fiscal 2021 was a year of transformation. Canopy Growth is now a consumer-packaged group (CPG) modeled organization. It should reinforce a foundation for sustained growth and long-term success, it adds. Its CEO David Klein said, "We are starting to see strong momentum across all of our key businesses and remain firmly focused on capitalizing on U.S. opportunities in Fiscal 2022."

In Q1 fiscal 2022 (quarter ended June 30, 2021), Canopy didn't excite investors despite the 23% revenue growth and narrower adjusted EBITDA loss compared to Q1 fiscal 2021. Industry observers agree that Canopy Growth is far from the buy zone.

The $7.36 billion cannabis producer invested heavily in expansion and production but hasn't produced results. Can you rely on management's commitment that Canopy Growth will achieve positive EBITDA by the end of fiscal 2022?

Saving money

In the last three months, Tilray has had nothing to show but a 28.4% loss. From $21.59 on June 17, 2021, the share price fell to $15.45 on September 17, 2021. The $6.94 billion company is the result of the merger between Aphria and Tilray. Management announced it would close down its flagship facility in B.C. to save money.

From here on, Tilray's said it would concentrate its cultivation activities will be in the Broken Coast facility on Vancouver Island. Meanwhile, its international production and manufacturing will continue in Germany and Portugal. Many people will lose jobs once the shutdown of the facility in Nanaimo, B.C. is complete.

Tilray said the merger early this year would result in significant cost savings ($100 million annually), more efficient operations, and highest-quality products. Like Canopy Growth, Tilray's financial results in the fiscal year 2021 were dismal. Net loss ballooned 233.33% to US$336 million. Nonetheless, Wall Street memes maintain a bullish sentiment on Tilray.

Total disappointments

Canopy Growth and Tilray are disappointments. It might be good to avoid the weed stocks even at rock-bottom prices. It's about time the industry leaders deliver tangible results, not flowery words. Investors are close to losing hope.

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