Canopy Growth (TSX:WEED) Falls 11% and Hits 52-Week Low

Description

Canopy Growth (TSX:WEED)(NYSE:CGC) shares hit a new 52-week low on Dec. 20, falling about 11% to $11 per share as of writing. This comes after the company continues to make announcements that haven't been positive for the company.

What happened?

The latest fall is likely tied to multiple factors. First, Canopy Growth announced last week that it would divest its subsidiary business, C³ Cannabinoid Compound Company GmbH, to German company Dermapharm Holding. The divestiture will aid Canopy Growth in "significantly reducing short-term capital investment requirements" by over $50 million, the statement read.

The transaction is expected to close in January of next year, bringing in around $115.5 million in upfront payment. This will be in addition to an earnout payment of around $61.4 million.

But it remains that cannabis stocks like Canopy Growth are in a very volatile industry. Supply chain demand has hurt every sector, and cannabis isn't an exception. The Black Market also continues to weigh on growth, both in Canada and the United States. Furthermore, inflation risks may turn away even more potential customers. All while the **S&P/TSX Composite Index** continues to fall.

So what?

All of these risk factors make for a very risky situation for Canopy Growth investors. Shares may have hit 52-week lows, but it's also the lowest share price since around September 2017! That includes the market selloff during March 2020.

Several reasons add up to the lower share price. There was the shakeup of the company's executive team, and the continuing poor earnings led to even more of a selloff. Canopy Growth has yet to become profitable, despite continuously stating it remains focused on profitability.

During its latest earnings report, it announced that while it made some strong acquisitions and new product updates, it also saw net revenue go down by 3% year over year. Yet management stated it should "win" as the "industry matures."

Now what?

It may take some time to reach that maturity. Canopy Growth remains a volatile company hedging itself on United States legalization. That could be some time off, considering the market risks and pandemic weighing on the economy. It's unlikely there will be a sudden explosion of cannabis legislation in the next year or more.

So, if you're a patient investor with Canopy Growth on hand, sure you can wait. But I wouldn't necessarily see this drop as an opportunity. Unfortunately, things could become even worse for Canopy Growth in the near future, instead of better.

Shares of Canopy Growth are down 71% year to date after falling 11% on Dec. 20.

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