



Frustration, Not Profits: 3 Must-Avoid Weed Stocks in 2022

Description

Investors' frustrations over cannabis producers, including industry leaders, have grown through the years. Market observers say weed stocks remain [speculative bets](#) in 2022, like cryptos. If ever you want exposure to this burgeoning market, don't invest money you can't afford to lose.

Canopy Growth ([TSX:WEED](#))([NASDAQ:CGC](#)), **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)) don't deserve serious consideration. These three weed stocks were disappointments in 2021, and I doubt things will change for the better anytime soon.

No growth catalyst

Canopy Growth previously bragged that profits are coming in the second half of 2022. However, after reporting a \$16.3 million net loss in Q2 fiscal 2022, management has announced a push back in its profitability target. Besides, the \$4.13 billion cannabis producer begins the year with a new CFO and chief product officer.

Management said the senior executive changes were "designed to drive execution" toward its priorities. However, analysts say there's more than meets the eye. Andrew Carter, an analyst at Stifel, said, "We believe the changes point to an organization in disarray with necessary strategic, personnel changes unlikely given **Constellation Brands'** control of the board."

Canopy Growth investors lost 63.6% in 2021 and might not recover their losses this year. Moreover, the postponement of the timeline to hit positive adjusted EBITDA isn't good news. Garrett Nelson, a CFRA analyst, said, "In our view, [the stock](#) now lacks an identifiable catalyst." WEED currently trades at \$10.51 per share (-7.7% year-to-date).

Empty promises

Aurora Cannabis so often misses its EBITDA targets that management no longer makes promises. In Q1 fiscal 2022, the \$1.36 billion cannabis producer reported an 11% decline in revenue versus Q1

fiscal 2021. Its net loss of \$11.8 million was a [significant improvement](#) due to strong medical marijuana sales.

This marijuana stock didn't deliver in 2021 (-33.6%), so it's futile to hope for a recovery this year. The cannabis derivatives market in Canada is worth around \$2 billion annually but Aurora didn't introduce more derivatives into the market to capitalize on the opportunities.

The latest management estimate is that Aurora Cannabis will hit positive EBITDA by the first half of 2023. Investors should avoid this weed stock at all costs rather than buy into the false promise again.

No federal legalization soon

Tilray finished 2021 at \$9.25 per share, or 52.2% lower than its closing price of \$19.36 on IPO day (May 5, 2021). As of this writing, the share price is even lower at \$8.49%. The \$4.01 billion company combined with Aphria to better position for growth in the U.S. and Europe.

In Q2 fiscal 2022 (quarter ended November 30, 2021), management reported a net income of US\$5.79 million. However, despite the profits and company re-branding, the price went downhill. The new parent name, Tilray Brands, Inc., reflects the company's evolution from a Canadian LP to a global consumer packaged goods (CPG) company powerhouse.

Many Canadian cannabis producers hope that federal legalization of marijuana in the U.S. comes soon. Tilray has an advantage because of several acquisitions and partnerships. However, its CEO, Irwin Simon, isn't optimistic. He doesn't see U.S. federal legalization for at least the next two years.

Forget the sector

Forget about the cannabis sector in 2022, because weed stocks could sink deeper than last year.

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2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:TLRY (Tilray)
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5. TSX:TLRY (Aphria)
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