



## Cannabis Sector Paid \$15 Billion in Taxes, But Still No Growth in Weed Stocks

### Description

The cannabis sector in Canada has a positive impact on the country's economy, despite the underperformance of weed stocks on the TSX. According to consulting and auditing firm Deloitte, it has generated more than \$15 billion in tax revenues (direct and indirect) for the federal and provincial governments.

Likewise, the industry contributed 151,000 jobs to the labour market since the legalization of recreational marijuana in 2018. In the inaugural TSX30 List in September 2019, four cannabis companies were among the top 10 [growth stocks](#). **Canopy Growth** ([TSX:WEED](#))([NASDAQ:CGC](#)) was ranked number one.

Unfortunately, most of the companies amassed gigantic losses since instead of profits. Industry consultancy firm New Frontier Data estimates the market could surpass US\$50 billion by 2025, although it would be a huge gamble to take a position today. Industry leaders Canopy Growth, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)) remain [risky investments](#), despite their multi-year low valuations.

### Uncertain direction

Stifel analyst Andrew Carter said, "There's a lot of growth in the Canadian market, but the problem is where it's going." He thinks the market supports oligopolistic structures similar to the banking and telecom sectors. And it will eventually happen in cannabis.

Craig Wiggins, managing director of independent cannabis research firm The Cannalysts Inc., said the sector is uninvestable. Cannabis companies must show progress like increasing sales and sustainable positive gross margin. Wiggins believes the federal legalization of marijuana in the U.S. is the biggest driver for the cannabis sector.

### Dead money

Canopy Growth, with American alcohol giant **Constellation Brands** as backer, lost 64.68% in 2021. The current share price is down to \$10.21 — a 7.52% year-to-date loss. Aurora Cannabis investors total return last year was -35.4% and trades at only \$5.38 per share (-21.46% year to date).

Tilray, the result of the business combination with Aphria, is the worst performer. Its total loss since its TSX's debut on May 5, 2021, is now 60.9%. TLRY has dropped to \$7.57 per share from \$19.36. The \$3.54 billion cannabis producer has a commanding market share (12%) in Canada, but it hardly attracts investors' attention.

Canopy Growth, Aurora Cannabis, and Tilray can't penetrate the lucrative U.S. markets yet. Pablo Zuanic, an analyst at Cantor Fitzgerald, warned people that investing in cannabis in 2022 might be worth dead money if federal legalization efforts wane. He adds a broad-based sector decline across the cannabis space is inevitable if nothing happens at the federal level regarding marijuana this year.

All three companies are struggling and nowhere near the road to profitability. In Q2 fiscal 2022, Canopy's net loss improved by \$80 million to \$16 million versus Q2 fiscal 2021. However, its adjusted EBITDA loss widened by \$77 million to \$163 million during the quarter.

Aurora Cannabis said it was on track to achieve its transformation plan in fiscal 2022. In Q1 fiscal 2022, revenue increased 10% versus Q1 fiscal 2021, but adjusted EBITDA loss reached \$12.1 million. Even if management says the company is moving in the right direction, investors are fed up with empty promises.

## Show profits first

The billions of dollars in taxes from the cannabis sector is a significant contribution to Canada's economy. However, it doesn't mean weed stocks are [buying opportunities](#). Industry leaders in particular must show overwhelming top and bottom-line numbers before investors take them seriously.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. NASDAQ:TLRY (Tilray)
4. TSX:ACB (Aurora Cannabis)
5. TSX:TLRY (Aphria)
6. TSX:WEED (Canopy Growth)

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