Canopy Growth Stock Jumps 10% on Earnings

Description

Canopy Growth (TSX:WEED)(NYSE:CGC) had a major share boost on Feb. 9 after the company reported a smaller third-quarter loss. Canopy Stock seems to finally see some positive movement after huge cost cuts in the last year.

- Canopy Growth stock reported a net loss of $115.5 million compared with $829.3 million the year before.
- Sales fell by 8% year over year, affecting the company's net revenue.
- The loss amounted to $0.28 per diluted share compared to a loss of $2.43 in 2020.

What happened in Q3 for Canopy Growth stock?

Canopy Growth stock reported more losses and sales down for the third quarter, but investors still saw signs of improvement — especially in terms of the company's losses. After months of cost cuts and a product overhaul, it looks like the cannabis stock may indeed turn profitable soon.

The company reported a net loss of $115.5 million for the third quarter — an 86% improvement from the year before. Revenue fell by 8% year over year with cannabis sales falling. However, it was an improvement from last quarter, up 7% from the September report.

The loss came to $0.28 per diluted share, beating analyst estimates and a huge improvement from the $2.43 loss the year before. Global cannabis net revenue came to $83 million for the quarter, with other consumer products totalling $58 million, up from $48.7 million the year before. This came largely from the BioSteel sports nutrition business in the United States, along with the vaping unit Storz & Bickel.

What did management say?

Interim Chief Financial Officer Judy Hong said this new quarter clearly showed a “renewed sense of urgency” to achieve profitability. However, the company has yet to provide investors with a timeline on when that profitability might be reached.

“In the third quarter we actioned to win where it matters — driving record performance in our CPG business from both BioSteel and Storz & Bickel, while beginning to stabilize our Canadian business including maintaining the #1 position in premium flower,” said Chief Executive Officer David Klein. “Our continued discipline and focus are expected to fortify Canopy’s competitive positioning in Canada as we ambitiously build our U.S. CPG, CBD, and THC strategies.”

What’s next for Canopy Growth stock?

Much of the cost cutting, layoffs, store closures, and revamp have been done for Canopy Growth stock. This included the selling of its German pharmaceutical unit during the quarter and the addition of profitable units such as BioSteel.

Despite sales being down, Canopy Growth stock also maintained the number one position in total Canada premium flower category market share, holding 10% of the market. And while we’re still waiting on more legalization in the United States, the company continues to find new partnerships and acquisitions for at least cannabidiols (CBD). As the cannabis stock continues to edge towards profit, we could see the major moves investors were used to back in 2018.

Shares of Canopy Growth stock rose 10% after earnings and is down 80% in the last year as of writing. It currently has a consensus target price of $11.88, providing a potential upside of 12.5%.

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