



## Canopy Growth (TSX:WEED) Tanks Again: How Low Could the Stock Go?

### Description

**Canopy Growth** ([TSX:WEED](#))([NASDAQ:CGC](#)) is down 17% for the day at the time of writing, hitting a new multi-year low under \$6 per share. Investors who stayed on the sidelines during the rout over the past 15 months are wondering if Canopy Growth stock is finally oversold and [undervalued](#).

### Canopy Growth results

Canopy Growth reported weak results for its latest quarter. The business saw net revenue drop 25% to \$111.8 million from \$148.4 million in the same period last year. The big hit came as global cannabis sales plunged from \$101.3 million to just \$66 million. Canopy Growth's other consumer products sales, including the drinks business, generated more stable results with revenue coming in at \$45.8 million compared to \$47.1 million in the same three months last year.

Canopy Growth reported a net loss of \$575 million, or \$1.46 per share, for the latest quarter. The net loss in the same period in the previous year was worse at \$700 million.

Management is still optimistic on the business with a goal of reaching profitability in 2024. The company is trimming costs and focusing on key strategic markets. Canopy Growth cut 250 jobs in a recent downsizing and has reduced its retail footprint by closing stores and exiting some international markets.

### Opportunities

The entire cannabis industry is hoping the U.S. will eventually legalize the sale of cannabis products at the federal level. So far, only a handful of states allow the sale of cannabis products.

Over the past couple of years, the sector has rallied on hints that the move is on the way, but the reality is that it could still be quite a while. However, assuming cannabis will eventually be legalized in the U.S. at the federal level, Canopy Growth is positioned well to capitalize. The company, through strategic acquisitions, has established the scale and reach to quickly take advantage of the opening of

the American market.

At home, cannabis-infused drinks have not taken off as expected in Canada. That could change in 2022 and 2023 as the end of pandemic restrictions brings the return of festivals, where Canopy Growth and its peers can showcase the products.

## Challenges

The black market continues to be a formidable competitor in Canada for legal cannabis products. Canopy Growth has also had to change its product offerings to accommodate shifts in consumer preferences. In what is essentially a commodity market, making money could prove to be difficult in the next few years.

## Should you buy Canopy Growth stock now?

The trend isn't an investor's friend today and many people have been burned trying to catch this falling knife. Investors might be able to pick up a quick gain on a rebound, but I would keep any speculative bets small at this point.

The turnaround process is going to take time and the next quarterly results might not show much of an improvement.

Canopy Growth's major shareholder, **Constellation Brands**, appears committed to seeing the business succeed. That's positive for shareholders and the financial support from the drinks giant should ensure Canopy Growth survives. The risk for investors, however, is that Constellation Brands might decide to take Canopy Growth private. Depending on the price it pays, investors hoping for a rebound to recoup losses might get burned.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Editor's Choice

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