



Canopy Growth Stock Jumps 20%: Here's What Happened

Description

Canopy Growth ([TSX:WEED](#))([NASDAQ:CGC](#)) saw shares jump 20% on Monday, as the United States looks like it may be taking yet another step closer to [marijuana legalization](#) — at least, that's what the chief executive officer (CEO) of fellow cannabis producer **Tilray** stated.

Tilray CEO Irwin Simon believes legalization could hit the U.S. in the next few years, believing it to be a US\$100 billion opportunity for growers of the product in Canada. And while it's true that legalization isn't in the U.S. yet, Simon believes it should happen very soon thanks to the strong performance in Canada.

What happened to Canopy Growth stock?

Now, you'll be curious as to why I'm focusing on Canopy Growth stock if this was an announcement by the Tilray CEO. The fact remains that when cannabis legalization happens in the U.S., Canopy Growth will remain the top choice of cannabis investors. It has several acquisitions waiting in the wings to come online as soon as that happens.

The current bill being sent through congress in the U.S. is unlikely to lead towards legalization. But the SAFE Banking Act passed last month, and this is another step closer to agreement that federal legalization could be upheld. That's especially true, as 19 states have legalized marijuana use.

Still unprofitable

But it remains that while it's waiting, Canopy Growth stock is burning through cash. This led to closures across Canada and the U.S., with a huge reining in of its spending. Further, Canopy Growth stock management recognized it needed to work towards profitability. This is why it continues to focus on its BioSteel drink, which the company says is almost at the point of profitability with revenue surging 169% year over year.

Still, while this was some good news along with its cost-reduction program, it remains far from

profitable. Net revenue came in at \$110 million for the first quarter down 19% year over year. This came with an enormous \$2.1 billion loss, with \$1.7 billion from goodwill writeoffs. So, the question is, how long will investors have to wait for a recovery?

Now what?

Canopy Growth stock could be a strong long-term purchase. But it's unclear at what price and when that purchase will turn to the black. Even after the strong performance yesterday at a 20% jump, shares were back down on Tuesday, dropping 4% as of writing.

For now, Canopy Growth stock will remain focused on any method of creating cash flow it can. In Canada, this includes responding to the oversupply of mediocre cannabis. Instead, it will focus on creating premium products it can sell for a higher price.

But don't think that this means it's moving from the U.S. market. CEO David Klein commented that the country still looks like it's the best and largest opportunity for growth in the entire world. It's just taking longer for the market to evolve than Klein originally hoped.

With [shares down](#) 58% year to date, I believe investors would agree.

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