



## Better Cannabis Buy: Canopy Growth Stock or Tilray?

### Description

Canadian cannabis companies with high growth potential are down to two following huge financial losses of major players in recent years. If you plan to invest in cheap [weed stocks](#) right now, the choice is between **Tilray Brands** ([TSX:TLRY](#)) and **Canopy Growth** ([TSX:WEED](#)) only.

Interestingly, both stocks are out of the gate running in 2023. Tilray has advanced 17.2% to \$4.33 from year-end 2022, while Canopy Growth is trending higher at \$3.49 (+15.6% year to date). While the companies patiently await the federal legalization of marijuana in the U.S., they are making moves to achieve profitability through other avenues.

### A new path to profitability

Tilray is a pioneer in cannabis research, cultivation, and distribution. Besides North America (U.S. and Canada), the \$2.7 billion cannabis-lifestyle and consumer packaged goods company operates in Australia, Europe, and Latin America. On the TSX, the stock belongs in the healthcare sector under the drug manufacturing industry.

In Q2 fiscal 2023 (three months ended November 30, 2022), the net loss reached US\$61.63 million compared to the US\$5.79 million net income in Q2 fiscal 2022. Despite the loss, management remains upbeat and happy with the leadership position in Canada (8.3% market share).

Moreover, the US\$11.2 million Adjusted EBITDA (earnings before interest, taxes, depreciation, and appreciation) marks 15 consecutive quarters of positive adjusted EBITDA. In the same quarter, gross profit and Cannabis gross profit rose 22% and 37% year over year to US\$40.1 million and US\$18.6 million, respectively.

Management is adapting to the evolving retail environment by removing costs and driving efficiencies across the platform in supply chain, procurement, packaging, and labour. Its Chairman and CEO, Irwin D. Simon, said, "During the second quarter, Tilray Brands took decisive, effective actions to manage operating cash flow." There's a focus too on accretive acquisitions and a path to long-term profitability.

More importantly, Simon said Tilray is not sitting back and waiting for the legalization of cannabis at the federal level in the US. Management sees strong growth potential in the alcohol business and plans to acquire more alcohol properties. It now owns Montauk Brewing Co. in New York and SweetWater Brewing Co., America's 10th largest craft brewer.

## Long-term market opportunity

Canopy Growth, the acknowledged early mover in Canada, went into a tailspin after showing solid [growth potential](#) in 2018 and 2019. Instead of significant earnings, the losses of this \$1.76 billion cannabis producer mounted over the years, and its promise of sustained return on shareholder capital has yet to materialize.

In Q2 fiscal 2023, the financial results are the same. The net revenue declined 10% to \$117.9 million versus Q2 fiscal 2022 following divestments from the Canadian retail cannabis business. Notably, the net loss in the same quarter widened by 1,320% year over year to \$231.91 million.

Its CEO, David Klein, said, "The divestiture of our Canadian retail business marks an important step forward on our path to profitability and furthers Canopy Growth's focus on generating revenue growth in the Canadian market." **Constellation Brands** has a 36.8% ownership stake in Canopy, and the alcoholic beverage giant still sees a long-term market opportunity.

## Patience is required

Whether you buy Tilray or Canopy Growth, you have to be patient. Fortune Business Insights estimates the global cannabis market to grow at a compounded annual rate of 32% until 2028 and be worth around US\$198 billion.

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