Why Canopy Growth (TSX:WEED) Stock Plunged 19% Last Week

Description

Canopy Growth (TSX:WEED)(NASDAQ:CGC) is an Ontario-based company that is engaged in the production, distribution, and sale of cannabis and hemp-based products for recreational and medical purposes in Canada and several international markets. This cannabis stock and its peers have been reeling in 2022. Today, I want to look at its recent performance and discuss whether it is worth snatching up on the dip.

Canopy Growth and its peers in the cannabis space are still struggling

In late March, I'd discussed why Canopy Growth and its peers in the cannabis space had gained momentum. Policymakers in the United States took significant steps toward federal legalization, which spurred optimism in the sector. However, that momentum has been short lived.

Shares of Canopy Growth have dropped 19% week over week as of close on May 27. The stock has plunged 46% in the year-to-date period. Canadian cannabis stocks have broadly performed poorly since recreational legalization officially took hold on October 2018. The sector initially suffered from supply issues. However, once production caught up it has been plagued by a resurgence in the black market and now a supply glut, which has severely hindered top companies like Canopy.

This space desperately needs a shot in the arm. It is questionable whether even federal legalization in the United States will be able to deliver that boost.

How does this company look after its quarterly earnings release?

Canopy Growth released its fourth-quarter and full-year fiscal 2022 earnings on May 27. The company is set to bolster its portfolio after it announced the coming acquisition of Wana Brands, a top edibles brand in North America. It remains well positioned to make a major push in the U.S. market if federal legalization moves forward.

Net revenue rose to $520 million in fiscal 2022, which was down 5% in the year-over-year period. The stock has suffered setbacks, but Canopy Growth has continued to grow and diversify its already expansive North American portfolio. However, profitability has remained elusive for the cannabis giant. It aims to move further in this positive direction in fiscal 2023.

The company plans to achieve profitability in the quarters ahead by bolstering its market position in premium Canadian segments. Moreover, it is focused on strategic investments in order to increase distribution, brand activation, and new product development. Meanwhile, it aims to pursue further expansion in Canadian and U.S. markets. With that, Canopy Growth will push to achieve positive adjusted EBITDA in fiscal 2024.

Should you buy Canopy Growth stock on the dip?

Last summer, I'd debated whether Canopy Growth or **Aurora Cannabis**, another top producer, was the better buy. While it has struggled mightily, I'm still on the side of Canopy Growth at the time of this writing. It is chasing profitability, but it is on track for solid revenue growth going forward. Shares of this cannabis stock last had an RSI of 40. That puts Canopy Growth outside technically oversold territory. This is still one of my favourite equities in this space, but I'm avoiding the cannabis sector in 2022.

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