

Canopy Growth Plans to Raise \$250 Million for Cannabis Investments

Canopy Growth Corp. Announces \$250 Million Equity Raise Following U.S. Acquisition

In a strategic move to bolster its financial standing, Canopy Growth Corp., once a billion-dollar cannabis giant, has announced plans to raise up to \$250 million (approximately 341.7 million Canadian dollars) through an at-the-market (ATM) equity program. The Smiths Falls, Ontario-based company revealed its intention to issue and sell new common shares in concurrent public offerings in the United States and Canada, though it has not specified the exact timing or target sale price.

Canopy Growth is the second major Canadian cannabis company to pursue capital through an ATM program recently, following Tilray Brands' announcement on May 22 to raise a similar amount through an ATM.

Aaron Edelheit, CEO of Mindset Capital, a cannabis-focused investment fund, commented on the move, stating, "Announcing an ATM funding is like advertising in the market that you will be continuing to issue equity if given the chance." He further explained that it allows the company to quickly issue up to \$250 million in shares without the need for investor presentations or conference calls.

Frank Colombo, managing director at Viridian Capital Advisors, emphasized the strategic advantage of ATM programs, highlighting their ability to raise capital flexibly and efficiently.

This financial maneuver comes on the heels of Canopy's recent exercise of an option to acquire Acreage Holdings, a U.S.-based marijuana multistate operator with operations in seven states. This acquisition could potentially give Canopy a competitive edge in the U.S. market.

Market Reaction and Analyst Perspectives

Following the announcement, Canopy's shares experienced a sharp decline on the Nasdaq, falling from \$7.80 at Wednesday's close to \$7.14 by midday Thursday, before closing at \$7.40. Despite this, Canopy's Chief Financial Officer, Judy Hong, maintained a positive outlook, stating that the company remains focused on profitable growth and long-term industry leadership.

However, some analysts remain skeptical. Canopy, like other publicly traded cannabis companies, has experienced significant volatility, with its stock often trading in a manner reminiscent of 'meme' stocks. Colombo speculated that Canopy might be hoping for favorable news regarding marijuana rescheduling, which could push its stock price back up.

Future Prospects and Challenges

The timing of the ATM funding could be crucial for Canopy and Tilray, particularly if depressed assets in the U.S. market recover in value ahead of potential federal marijuana reforms. The reclassification of marijuana

from Schedule 1 to Schedule 3 of the Controlled Substances Act could provide a significant boost to the industry.

Despite these potential opportunities, Canopy continues to grapple with substantial debt and operational challenges. The company reported a loss of \$483.7 million for the fiscal year ending March 31, a significant reduction from the previous year's \$3.1 billion loss, but it still holds nearly \$600 million in debt.

Additionally, Canopy is under investigation by the U.S. Securities and Exchange Commission (SEC) related to its accounting policies and the timing of revenue recognition for its BioSteel energy drink segment, which it sold off in December 2023.

As Canopy navigates these financial and regulatory challenges, questions remain about its long-term viability and ability to manage its expanded U.S. footprint post-Acreage acquisition.

Canopy Growth Corp.'s planned \$250 million equity raise via an ATM program represents a strategic effort to enhance its financial position and capitalize on emerging opportunities in the U.S. cannabis market. However, the company's future success will depend on its ability to address ongoing debt, operational challenges, and regulatory scrutiny while leveraging potential market developments.

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