

Canopy CEO Admits Frustration with Slow U.S. Cannabis Legalization

In a candid interview with BNN Bloomberg on Thursday, David Klein, the Chief Executive Officer of Canopy Growth, expressed his diminishing optimism regarding the speed of U.S. federal cannabis legalization. However, he emphasized that the success and profitability of his company do not hinge on this federal shift.

Adapting to Regulatory Changes

Klein stated, “At some point, the U.S. federal government will decide to completely legalize it and put a federal excise tax regime in place, but we don’t need that for our business to be functioning, profitable, and successful.”

He highlighted that Canopy Growth is more reliant on other regulatory changes, such as rescheduling cannabis, which he believes is imminent, and the implementation of safe banking practices. “We’re hearing really good things about safe banking, and the last thing that would be helpful, particularly for our structure, is safe harbor for the exchanges,” Klein added.

Securing Benefits from Existing Measures

According to Klein, achieving these measures would secure “90 percent of the benefit that Canopy could get from federal legalization.”

Strong Performance Amidst Industry Changes

Reflecting on Canopy’s journey, Klein acknowledged the rapid changes within the cannabis industry. “We see changes that happen literally every single week,” he noted, emphasizing the company’s adaptability and strong recent performance. “We delivered a really strong quarter with growth in each of our businesses. We’ve cleaned up our balance sheet, which now shows over \$200 million in cash with no debt due until 2026.”

Optimism for Regulatory Reforms

Looking ahead, Klein is optimistic about regulatory reforms both in the U.S. and internationally, presenting opportunities for Canopy Growth. “The best thing we can do as a company is to grow and increase our operating profit,” he said. He acknowledged the sustainable level of debt Canopy can manage and stressed the importance of executing their business strategy and seeking growth opportunities.

Subsidiaries Show Strong Performance

Klein highlighted the strong performance of Canopy's subsidiaries, like Storz and Bickel, a manufacturer of medical-use cannabis vaporizers, which reported a 43 percent increase in the fourth quarter. He also mentioned significant growth in Canopy's international and Canadian businesses, with the former up by 32 percent and the latter by four percent.

Profitability and Growth Strategy

"If the company were private, Canopy would be profitable today," Klein stated, underscoring the current focus on growth and utilizing capital markets to fuel this expansion.

The financial outcomes of Canopy's U.S. business, Canopy U.S.A., are not included in the broader results of Canopy Growth. Klein explained that once U.S. plant-touching businesses can trade on Nasdaq, they will consolidate the structure.

Addressing Agricultural Challenges

Addressing agricultural challenges, Klein remarked, "We're an agricultural business at the end of the day, producing in Canada with its seasonal limitations. We're correcting lower yields by adding more lights to our facilities, and we've already seen margins recover in Q1."

Klein's insights paint a picture of a resilient and adaptive company, prepared to navigate the complexities of the evolving cannabis landscape while positioning itself for continued growth and success.

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