



Canopy Growth Corp.: Can Snoop Dogg Take it to New Highs?

Description

The partnership between **Canopy Growth Corp.** (TSX:CGC) and rapper Snoop Dogg's Leafs by Snoop brand, first announced in February, is set to roll out three strains of Cannabis across Canada by the end of the month.

It's a big deal given the rapper's huge following in the cannabis scene, but will it be enough to drive Canopy Growth stock to double digits? That's the million-dollar question.

Shares traded as high as \$5.85 October 6 on the news the Leafs by Snoops product would finally be available here in Canada. However, by the end of the day it had actually closed down nine cents from the previous day's closing price of \$4.98.

You know what they say: "Buy on rumour, sell on news." And that's exactly what investors did.

Interestingly, when Canopy first announced the partnership earlier in the year, its stock barely budged, trading in a tight range between \$2.90 and \$3.30 for over five months before trending higher in late July as a result of its move to the TSX big board. It then took its next leg up as word got out Snoop Dogg's product would soon be available.

What needs to happen for Canopy stock to get to \$10?

Earnings.

I know that seems academic, but that's what drives the price of stocks. Real or potential future earnings and revenue growth are the only things that truly matter to investors.

So, how will Snoop Dogg's brand presence here in Canada help move the needle?

Well, right now that's pretty hard to quantify. The Leafs by Snoop brand is still less than a year old, having been launched last November. However, early results in Colorado suggest that Snoop Dogg's products are popular with both fans and non-fans alike.

Emily Fata is a financial analyst specializing in the cannabis industry. She recently wrote about celebrity-branded cannabis businesses in a blog post for New Cannabis Ventures, an online website dedicated to the cannabis industry:

“When the brand had a limited release at LivWell dispensary in Denver, it was Snoop’s fans who showed up to purchase strains like Tangerine Dream and Cali Kush, as well as chocolate bars, cannabis drops, gummies, and peanut butter cups,” wrote Fata in her blog post. “Although Leaf by Snoop’s revenue has leveled out over the past several months, LivWell stated that the brand’s products have appealed to customers of all walks of life, ‘most particularly cannabis aficionados seeking high-end products and customers looking for unique experiences.’”

Fata goes on to discuss how celebrity-branded products like Leafs by Snoop are only marginally more expensive than non-celebrity-branded products, suggesting that as long as the rapper continues providing a quality product, there’s no reason that revenues south of the border won’t continue to grow as more states legalize both medical marijuana and recreational pot.

If you look at Canopy Growth’s sequential revenue growth for the last five quarters, it’s obvious that its business is growing quickly. Yes, it lost \$3.9 million in the first quarter on revenue of \$7 million, but when you’re growing by 40% on a sequential basis each quarter, the road to profitability isn’t far off.

How much revenue this partnership generates for Canopy Growth isn’t important, in my opinion. What is is the message it sends to cannabis users across the country.

And the message is?

Canopy Growth is the leading marijuana producer in this country. It’s serious about its business and has the wherewithal to bring partnerships like the one with Snoop Dogg to fruition.

It might not be enough to get Canopy Growth’s stock to \$10 before the end of the year, but certainly, it’s going to help make that a reality in 2017.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

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