



## The Smart Money Is Selling Canopy Growth Corp.: Should You Sell Too?

### Description

As far as I'm concerned, there's no greater vote of confidence in an investment, company, or product than putting your own money to work in it.

This is why many astute investors will insist a company's management team also be owners of the stock. The simple action of owning a whole bunch of the stock not only ensures that management care about the stock price, but it also lets investors know they're around for more than just the paycheck. They're believers, in other words.

There's no bigger vote of confidence than members of the management team or the board of directors buying shares when the company is depressed. However, management selling shares can be a giant red flag. Sure, there are plenty of legitimate reasons for selling. A seller might want to pay off the mortgage or help out their children. They might even want to further diversify. But the fact of the matter is, nobody is going to sell a stock they think is going much higher.

**Canopy Growth Corp.** ([TSX:WEED](#)) has seen some major insider selling of late. Should this cause investors to become concerned?

### Aggressively selling

In the last two months alone, Canopy insiders have been aggressively selling millions of dollars' worth of stock.

Bruce Linton, Canopy's founder and CEO, disclosed on April 3 he had sold 156,900 shares on March 29 for an average price of \$10.74 each. He further sold an additional 193,100 shares at a price of \$10.56 on the same day.

In short, Canopy's CEO sold \$3.7 million worth of stock. That's a lot of money.

Linton isn't the only insider unloading shares. John Bell, who is one of Canopy's board members, reported five separate transactions on March 30 and March 31, where he unloaded a total of 24,650 shares at prices between \$10.36 and \$10.55 each. Bell also sold 20,000 shares on March 24 and

70,000 shares between March 14 and March 17.

Mark Zekulin, the company's president, has also been an aggressive seller of late. He sold more than 234,000 shares in a week ranging from the end of February to the beginning of March. Timothy Saunders, the company's CFO, sold more than 166,000 shares close to the same time. Christopher Schnarr, a director, sold 150,000 shares on February 27.

In total, Canopy insiders have sold more than one million shares since February. That is a lot of money going out the door.

One thing investors must remember is many of these shares were issued as stock options. Just about every insider sale in the last few weeks was immediately preceded by a grant of stock options. These folks got their options and immediately liquidated their holdings.

### **What should investors do?**

Canopy and its competitors are simply uninvestable for me.

I'm the first to admit that legal marijuana in Canada will be a huge market. I'm just not sure the valuations of pot growers justify the potential. And if the Canadian government passes legislation that makes it difficult to brand marijuana, Canopy will have a very hard time differentiating itself in what will become a crowded market.

Ultimately, the actions of insiders say a lot. Again, there are plenty of legitimate reasons to sell, but at the end of the day, I'd suspect these insiders share the same opinion as me. Canopy shares are overvalued, and they sold while the selling was good. If I were an insider, I'd do the same thing.

Potential Canopy investors should not be encouraged by these sales. It's that simple.

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### **Date**

2025/07/06

### **Date Created**

2017/04/21

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