



Canopy Growth Corp.: Has the Stock Bottomed Out?

Description

Canopy Growth Corp. ([TSX:WEED](#)) is down more than 30% in the past three months.

Let's take a look at Canada's leading medical marijuana producer to see if the pullback has gone too far.

Growing like a weed

Canopy is making all the right moves to solidify its dominant position in the emerging medical cannabis market and prepare for the opening of a legal recreational market in its home country.

For example, the company has made several key acquisitions in the past year to consolidate the sector.

The most notable deal was the purchase of Mettrum Health, which brought important new brands, additional production capacity, and a strong base of customers.

Canopy now provides product to about 50,000 registered medical marijuana patients.

In addition, Canopy purchased the property that houses its corporate headquarters. The move gives it 40 acres of land and 472,000 square feet of available space, essentially tripling the company's production potential at the site.

Last fall Canopy entered an arrangement with the Goldman Group that will see Goldman secure new facilities and outfit them to meet Canopy's production requirements. Canopy will then lease the sites from Goldman.

The strategy is a wise one as it enables Canopy to scale up quickly while reducing the upfront capital needed to grow production capacity.

Innovative ideas

On the sales side, Canopy is also making some interesting moves.

The company set up a CraftGrow program where it enables smaller producers in the sector to sell product through Canopy's Tweed Main Street online marketplace.

Canopy has also established Canopy Rivers, which will be a streaming and strategy support platform.

Is it time to buy?

Investors who have been on the sidelines are wondering when they should jump in and buy the stock.

At the time of writing, Canopy is down to \$8 per share, which is certainly more attractive than the \$13 some investors paid in February.

With a market capitalization of \$1.3 billion, the stock is still pretty expensive based on the \$10 million in revenue the company reported for the last three months of 2016.

The addition of Mettrum should provide a nice revenue boost, but the price is still sky high.

So, investors have to decide if they want to pay up for the potential windfall that will come when the recreational market opens.

If you believe the provinces can get organized in time to launch the market in the summer of 2018, it might be worthwhile to start nibbling on further weakness.

Investors who think the provinces won't be able to get the details sorted out for another two or three years should probably look for other opportunities.

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