Why Canopy Growth Corp. Is Down Over 1%

Description

Canopy Growth Corp. (TSX:WEED), a world-leading diversified cannabis company, released its fiscal 2018 first-quarter earnings results this morning, and its stock has responded by falling over 1% in early trading. The stock now sits more than 51% below its 52-week high of $17.86 reached back in November, so let's take a closer look at the results and two other highlights from the quarter to determine if we should consider initiating long-term positions today.

Breaking down Canopy's Q1 performance

Here's a quick breakdown of 12 of the most notable financial statistics from Canopy's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	**Q1 2018**	**Q1 2017**	**Change**
Revenue	$15.87 million	$6.98 million	127.3%
Gross margin before non-cash gains or losses	$9.03 million	$4.21 million	114.6%
Gross margin as a percentage of revenue	56.9%	60%	(310 basis points)
Net income (loss) after income taxes	($4.44 million)	($3.95 million)	(12.5%)
Net income (loss) per share	($0.03)	($0.04)	25%
Kilograms and kilogram equivalents sold	1,830	984	86%
Average selling price per gram	$7.96	$7.09	12.3%
Cost per gram to harvest	$0.76	$1.10	(30.9%)
Cost per gram before shipping and fulfillment	$1.28	$1.64	(22%)
Weighted-average cost per gram	$2.78	$2.65	4.9%
Kilograms harvested	5,575	1,882	196.2%
Cash and cash equivalents at end of quarter	$115.49 million	$101.80 million	13.4%

Other highlights from the quarter

In the press release, Canopy provided two notable highlights from the quarter.

First, it noted that it launched its Tweed Main Street ecommerce marketplace, which offers consumers access to numerous products online.

Second, it noted that it launched the sale of Canada's first encapsulated cannabis oil soft gels on June 19, and it noted that it has received "strong patient and healthcare practitioner response."

What should you do with Canopy's stock now?

It was a fantastic quarter overall for Canopy, as it was able to grow its revenues at a triple-digit rate while keeping its costs under control, increasing its harvesting capabilities, and increasing its amount of cash on hand. However, the results came in mixed compared with the consensus estimates of analysts polled by **Thomson Reuters**, which called for a net loss of $0.05 per share on revenue of $16.89 million, so I think that's why the stock has responded by falling over 1%.

With all of this being said, I think the decline in Canopy's stock represents an attractive entry point for long-term investors seeking exposure to the cannabis industry, because this could very well be the best growth industry in North America over the next decade, and Canopy will surely grow into one of its largest players.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/05
Date Created
2017/08/14
Author
jsolitro