

Canopy Growth Corp.: Buy the Dip?

Description

Canopy Growth Corp. ([TSX:WEED](#)) [surged past the \\$20 mark](#), only to fall back following an underwhelming second-quarter earnings report, which saw a \$1.6 million loss at a time when some of its peers are reporting numbers in the green.

The earnings results have stopped the tremendous momentum that the stock was experiencing, but I don't think investors should be too concerned about the continuing cash bleed and rising expenses. CEO Bruce Linton made it clear many times on televised interviews that he doesn't intend for Canopy to be profitable until the latter part of 2018. He believes that spending aggressively in the early stages will result in a much bigger payoff down the road after marijuana is legalized.

Mr. Linton didn't shed too much light on forward guidance, claiming that there are simply too many uncertain variables in the entire cannabis market to be able to come up with an accurate estimation. Although analysts would have liked more guidance, I don't blame him for giving a less than precise guidance, since it'd probably be taking a shot in the dark. After all, in the end, it'll be the quarterly results which will determine who will be the real winners in the rapidly emerging cannabis market.

Canopy is firing on all cylinders right now, and I believe it's very well positioned to become the undisputed king of cannabis once the cannabis market has the time to mature. There are still a lot of uncertainties, but Canopy has all the traits of a future market leader. With many global partnerships in foreign markets like Germany, Denmark, and Jamaica, Canopy is establishing itself not just as a Canadian producer, but a global one, which should pay huge dividends as cannabis becomes less taboo across the world.

The power of branding

Canopy possesses some of the most powerful brands in the cannabis market, and it's not too far-fetched to think that the company could be the next Marlboro of the cannabis industry — especially after receiving a tremendous vote of confidence from **Constellation Brands Inc.**, a company that has excelled due to its incredible portfolio of beer brands.

Canopy's Tweed brand has a huge amount of potential with the recreational market, and I suspect it's likely that the brand could give Canopy a competitive edge over its peers should provinces (like Alberta) allow for private cannabis retailers — an environment that Canopy's brands would likely excel in.

Bottom line

There are still many more [positive developments](#) that could reinvigorate Canopy's upward momentum. We're still in the first inning of the ballgame, so there's no reason to panic over Canopy's cash bleed — at least not yet.

Cannabis stocks have been on a tear of late, so it may be a prudent decision to take some profits off the table as another industry-wide hangover may start to kick in again, like the one witnessed earlier in the year.

Canopy is still a terrific stock to own for the long haul, but it may be a prudent decision to wait for a better entry point should one present itself in the coming months.

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