



## Canopy Growth Corp.: Why its Stock Surged 11% Yesterday

### Description

Investors' favourite marijuana stock [Canopy Growth Corp. \(TSX:WEED\)](#) surged more than 11% during yesterday's trading, as world's largest cannabis producer announced it won a cultivation licence in British Columbia.

The company said in an announcement that the licence is first of its two sites operating under the BC Tweed Joint Venture Inc. The licensing approval of the Aldergrove site, the largest federally licensed cannabis site in the world, covers over 400,000 sq. ft. of space.

BC Tweed Joint Venture is a collaboration between Canopy and an established, large-scale greenhouse grower to develop up to three million sq. ft. of automated greenhouse production space across two sites in British Columbia.

The new production facility prepares the company "to meet an unprecedented increase in demand in a few short months once legal adult-use markets commence," Canopy said in a statement on its website.

The licensing news follows the announcement last week that Canopy was one of six licensed producers to sign a letter of intent to supply the Quebec market.

As part of the agreement with the Société des alcools du Québec, which will handle sales of recreational cannabis in the province when it is legal in Canada later this year, Canopy will provide 12,000 kilograms of cannabis annually.

### Sales double in Q3

Canopy also released its third-quarter earnings report last week, which showed its sales more than doubled in the third quarter compared with a year ago. The Smiths Falls, Ontario-based company said its revenue rose to \$21.7 million for the quarter ended December 31 — more than double the \$9.8 million earned in the last three months of 2016.

The results were driven by a significant increase in domestic sales as well as sales in the German medical market, chairman and chief executive Bruce Linton told analysts on a conference call on

February 14.

The company also reported a 138% jump in its active registered patients to 69,000, up from 29,000 a year ago. The growth came as Canopy's profits attributable to the company fell to \$1.6 million, or a penny per diluted share, from nearly \$3 million, or two cents per diluted share, a year ago.

### Is Canopy stock a buy?

After 11.7% jump in Canopy's share price on February 20, investors are wondering whether this upward move will continue or if it will lose its momentum, as has been the case with the previous short-term rallies in the past two months.

Stocks of Canada's largest pot producers have [lost their momentum](#) of the past year when their prices surged more than three-fold. Despite yesterday's jump, Canopy stock is down 33% from the 52-week high of \$44 a share amid fears of an asset bubble, as investors became extremely nervous after seeing valuations touch the roof.

I don't expect this move higher will continue. The market focus from here has shifted to the actual execution and regulatory risks, as Canada nears its summer deadline to legalize the recreational market. Trading at \$29.60, Canopy stock is trading close to the consensus target price of \$29 by analysts on the Street. I think waiting on the sidelines is a good strategy at this stage of the game.

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### Date

2025/08/20

**Date Created**

2018/02/21

**Author**

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