



## Could a U.S. Listing Propel Canopy Growth Corp. Back Above \$40?

### Description

Cannabis stocks have stabilized since a precipitous drop in early February for many of the largest producers. The **Horizons Marijuana Life Sciences Index ETF** ([TSX:HMMJ](#)) is trading almost 25% off of the all-time high of \$25.56 it reached in early January. As we move closer to recreational legalization, which is slated for August at the earliest, cannabis stocks will likely see more volume activity. Some analysts have also projected that the cannabis market [will go on another run](#) in the lead up to legalization.

Over the long term, the expectation is that progress in the cannabis industry in the United States will spark interest south of the border. The U.S. could thus become the next frontier for investors looking to capitalize off speculation in this fledgling industry. [Revenues in Colorado and Washington peaked in 2017](#), but experts expect this to dissipate, as the industry spills over into neighbouring states, like California.

In early March, **Canopy Growth Corp.** ([TSX:WEED](#)) chief executive officer Bruce Linton revealed to the Economic Club of Canada that the company is considering a push to be listed on the NASDAQ. Linton said that the company had explored the option back in October 2017 but ended up pulling back after **Constellation Brands, Inc.** purchased a 10% stake in the company.

**Cronos Group Inc.** ([TSXV:CRON](#))([NASDAQ:CRON](#)) became the first Canadian cannabis producer to be listed in the U.S. on February 27. The stock finished its first week 37% higher. Beacon Securities projected that Canopy could make its own listing on the NASDAQ as soon as the second quarter of 2018.

How should investors respond to this possibility?

Canopy stock has climbed 7.4% in 2018 as of close on March 13. The stock reached an all-time high of \$44 in early January but plunged below the \$25 mark in early February in the midst of a global stock market rout. Shares have since stabilized and have increased 19.5% month over month.

Bryden Teich, portfolio manager at Avenue Investment Management, called Canopy's valuation into question in early March. He pointed to the oft-referenced concern over its sky-high market cap of over

\$6 billion in comparison to its revenue, which is in the \$40-50 million range. Teich, like many analysts, is also concerned about the potential volatility that could come as future legislation remains uncertain in the U.S.

In the fiscal 2018 third quarter, Canopy reported \$1 million in sales in Germany. The company continues to make a concerted effort to expand in Europe. In early March, Canopy was reported as one of the bidders for Alcaliber SA, a Spain-held producer of morphine and thebaine.

Canopy stock will likely see a boost if and when it is listed on the NASDAQ, but its price remains high as we look ahead to recreational legalization. Investors may be able to count on short-term gains as the sector stabilizes, but we are moving ever closer to the “show me” phase for producers. This could see the cannabis market face serious tests after legalization kicks in.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. TSX:CRON (Cronos Group)
3. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
4. TSX:WEED (Canopy Growth)

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