

Why Millennials LOVE Canopy Growth Corp. (TSX:WEED)

Description

Millennials aren't known for their love of investing. Faced with a tight job market and high student debt, many of them opt to pay off loans rather than buy up stocks. But every now and then, we find a company that piques the interest of millennial investors. Whether they be trendy tech stocks, hip fashion startups or hot cryptocurrency services, these companies are rare, but do exist.

Canopy Growth Corp. (TSX:WEED)(NYSE:CGC) is one such company. According to recent reports, it is gaining momentum on the stock trading app Robinhood, which has a large millennial user base. In recent weeks, more than 16,000 Robinhood investors have snapped up shares in Canopy. According to data published by the app's developers, it is now the 54th most popular stock on the platform.

So, why *are* millennials so enamored with Canopy? And what does it mean for investors of all ages?

It helps to start with the market factors driving growth in cannabis stocks as a whole.

Market factors

A number of market factors are driving growth in pot stocks, some of which millennials are very attuned to. The first would be [cannabis legalization](#). In general, there is a worldwide trend toward cannabis legalization. Canada has legalized pot and the new laws will take effect on October 17. A number of U.S. states have taken similar action. Decriminalization will take effect in Israel in April 2019. Several other countries are considering decriminalization or legalization, either federally or on a smaller scale.

Legalization and decriminalization have the potential to increase revenues for cannabis companies. It's a large market, with *far* more customers than the medical cannabis market currently being served. That means many potential new customers for cannabis companies like Canopy. And millennials—who are more likely to use marijuana than other generations—are well aware of these changes.

Marketing and advertising

Another factor that could be driving millennial interest in Canopy is marketing. Canopy has gone to great lengths to cultivate a hip image. The company's main brand, Tweed, has a decidedly irreverent tone. It has a "retro" design aesthetic that may be designed to appeal to nostalgia-obsessed "hipsters." The website's "error" page says, "Dave's not here"—a reference to the film *Cheech and Chong*. In short, the company seems to be courting a young and perhaps urban customer base—and this may translate into interest in the stock as well.

Is it actually a good investment?

There's no denying that Canopy that managed to raise brand awareness among millennials. And it seems this brand awareness is translating into positive investor sentiment. But the question remains:

Are Canopy's millennial investors making a good bet?

On that question I remain agnostic. While Canopy's revenues are growing quarter after quarter, its earnings [remain negative](#). The company reported a \$90 million loss in the most recent quarter. As these losses are attributed to high operating costs, it's not clear how they can be reversed. It's possible that reduced regulatory compliance costs in the recreational market could improve the company's margins, but that remains to be seen.

My opinion?

Hold off on investing in Canopy for now until it becomes clearer how legalization affects the company's earnings picture.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/27

Date Created

2018/08/18

Author

andrewbutton

default watermark

default watermark