



Is Canopy Growth Corp (TSX:WEED) a Steal at \$50?

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) and other pot stocks have been tumbling recently. The popular cannabis stock has fallen hard recently, dropping close to 20% over the past month to under \$50 as of yesterday's close, which is well off the more than \$70 it was trading at just weeks ago.

The big question for investors is whether this is part of a bigger sell-off of cannabis stocks, or if this is just a bump in the road, not unlike what we've seen earlier this year.

Why Canopy Growth could bounce back

The argument for why Canopy Growth could recover from this latest setback is an easy one. After all, nothing has fundamentally changed in the stock's outlook, nor has anything significantly changed for the industry. To see such a big correction across the industry, especially amid a drop in the TSX and other markets, suggests to me that this decline is due to factors that extend beyond cannabis.

If there are no negative developments in the cannabis industry to justify the sell-off, then that makes it all the more likely that we'll see the stock bounce back. Whether it will climb back to its previous highs, however, is a separate question.

It's no secret that pot stocks are expensive and trading at significant multiples, so it wouldn't be a surprise to see investors re-think whether it's a good idea to hold the investments anymore, as we may finally be reaching a peak. After all, if it weren't for the excitement around cannabis-infused beverages and [potential deals with other industries](#), we may have not seen a big jump in share prices this year.

Earnings could send the stock soaring once again

Canopy Growth is expected to release its earnings in mid-November, and with more sales growth on the way, it could give the stock another boost. [Last quarter](#), the company was able to grow its top line by an impressive 63%, and before the results the stock was trading at around \$40 per share.

Now, whether it was the quarterly results that fueled the increase in price over the past few months or if it was other factors is difficult to determine, since pot stocks can be fickle and impacted by a wide

variety of items.

Should you buy Canopy at ~\$50?

There's definitely a path where I see Canopy returning to \$70 per share, especially if it has a strong quarter. However, to buy at \$50 and assuming you'll make a profit is where I'd classify you as a speculator rather than an investor, because it's hard to justify Canopy Growth, as successful as it has been, being a good buy at that big of a premium.

Pot stocks as a whole are still very expensive, and so while I do see a potential opportunity here in the short term, there's still a lot of risk for investors to buy at this price. There are still many question marks about how strong recreational marijuana sales will be, and once we get a clearer picture of that, we'll also get a better idea of where the stock's true value is as well.

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