



Is Canopy Growth Corp (TSX:WEED) Stock a Buy Below \$50?

Description

The pullback in the share prices of Canadian marijuana stocks is giving some recent investors bad dreams.

Those who sat on the sidelines and missed the rally in the past year, however, are looking at the dip in the [top cannabis companies](#) and wondering which pot stocks might be attractive picks.

Let's take a look at **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) to see if it deserves to be in your [portfolio](#) today.

Perspective

At the time of writing, Canopy Growth trades for \$47 per share. That's down significantly from the \$73 it fetched two weeks ago, but still well ahead of the \$15 investors paid to get a piece of the company at this time last year.

What price is right?

Based on the company's annualized revenue of just over \$100 million, and that fact that it still isn't profitable, the current market capitalization of about \$11 billion seems extremely high. In fact, based on any traditional metric used to determine the value of a company, Canopy Growth, along with its peers in the cannabis sector, all trade at scary levels.

The challenge for investors is to determine what the Canadian and global cannabis markets will look like in the coming years and decide how much upfront value they want to place on that potential.

Big companies are facing the same dilemma. Last fall, **Constellation Brands** paid \$245 million to acquire a 9.9% stake in Canopy Growth. In August, the beverage giant dropped another \$5 billion to take that position to 38% by buying 104.5 million shares. The August investment put the price of Canopy Growth's stock at about \$48.60 per share, which is pretty close to where it trades today. When the deal was announced, the investment represented a 51% premium to where the stock traded the previous day.

If you think the management team at Constellation Brands knows what they are doing, the current price might be a reasonable entry point.

Should you buy?

Canopy Growth is widely viewed as one of the stocks that will emerge as a global winner in the growing medical cannabis market and is positioned well to take a good chunk of the recreational market in Canada due to its size, scale, brand recognition, and key partnerships.

If you can handle the volatility and think the cannabis market will grow as anticipated, Canopy Growth deserves to be on your radar. That said, I would keep any new investment small at this point, even after the big pullback.

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

2025/08/17

Date Created

2018/10/30

Author

aswalker

default watermark