



## 2 Things to Look for in Canopy Growth Corp's (TSX:WEED) Q3 Earnings Report

### Description

On November 14, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) will [release its earnings](#) for the quarter ended September 30th. Although the report covers a period before pot legalization took effect, it will account for early legal cannabis sales to stores.

This makes the earnings report something of a bellwether for the cannabis industry, which many hope will post blowout earnings as a result of legalization. Should earnings disappoint, investors may lose confidence in cannabis stocks, sending them lower.

Granted, Canopy's earnings report will not be a complete picture. In order to truly know how it (or any other cannabis company) is doing, we'll need to wait until early 2019, when we'll begin to see earnings reports that reflect three full months of legal cannabis sales. Nevertheless, Canopy's report this week should provide a good indication of how things are going. The first thing we're going to want to look at is growth.

### Growth metrics

Analysts are expecting legalization to lead to increased revenue growth for Canopy. We'll need to see some pretty heady growth in order to beat the norm: Canopy is already growing revenue at 63% year over year. And the market is going to want to see *more* growth than that. Granted, pot stocks have never failed to excel in this area. In its most recent quarter, **Aurora Cannabis** posted stellar [223% year-over-year revenue growth](#). Should Canopy pull something like that off, its stock might be rewarded in the markets. But anything short of 63% growth will disappoint.

### Profitability metrics

Next, we get to the point of profitability.

Profitability has been a persistent sore spot for Canopy, and for cannabis stocks as a whole. Canopy has failed to post positive net income in any of the past four fiscal years. Looking at things on a quarterly basis, it has posted positive net income in just one out of the past four quarters.

According to Zacks Investment Research, the consensus earnings target for Canopy is -\$0.12. In the same quarter last year, the company posted -\$0.01. So, analysts are expecting Canopy's net loss to grow. This may not be a massive problem for the company if revenue growth is strong enough to prop up investor sentiment, but it could be a bad omen for the long term.

### Bottom line

Canopy Growth is, in some ways, an enigma. Although it is the largest and most discussed of Canada's pot producers, it is also the one most beset by certain structural problems. Most pot stocks have had problems in the earnings department. But with Canopy's massive foreign investments, it has struggled with profitability more than its competitors have. Perhaps everything Canopy is doing will pay off in the long run. Perhaps its investments will pay dividends later when costs have come down and foreign grow ops are making money. For now, it's hard to say. Perhaps on Wednesday the picture will be clearer.

### 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

2025/08/12

### Date Created

2018/11/12

### Author

andrewbutton

default watermark

default watermark