Will 2019 Be a Good Year for Canopy Growth Corp (TSX:WEED) Stock?

Description

Marijuana stock investors are evaluating the late 2018 slump in the sector and trying to decide which cannabis stocks might be the best buys for 2019.

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

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2018 recap

Canopy started 2018 at close to $32 per share. The stock price fluctuated throughout the year, as investors reacted to news of acquisitions and the launch of the Canadian recreational marijuana market.

The August announcement by **Constellation Brands**, the U.S.-based owner of Corona, that it would invest an additional $5 billion in Canopy to boost its stake to 38% sent the stock surging from $32 to $60 in the following two weeks. The entire market caught a bid as a result of the news, and the announcement by **HEXO** that it was partnering with **Molson Coors Canada** added additional support.

With multinational beer companies giving the cannabis sector a vote of confidence, investors pushed already elevated valuations to sky-high levels in anticipation of the launch of the recreational market. Canopy topped out at a closing high of $73.75 per share just before Canada made history with the legalization of pot sales.

At this point, investors who'd bought the stock at the beginning of the year felt pretty good, but the buzz quickly disappeared. Lack of supply and delivery issues put a damper on the rollout of the recreational market in the first few weeks, and the inability of producers to meet demand has had a negative impact heading into 2019.

Quebec reduced the number of days its brick-and-mortar stores would be open, and Ontario significantly scaled back the number of private stores it will allow beginning in the spring of 2019. Originally, Ontario's new government didn't plan to cap the pot-store licences and predicted there could be as many as 1,000 stores opening in the province. When the new rules came out, Ontario said it would only provide licences for 25 stores in the first phase, with the winners decided through a lottery in February.

Cannabis stock prices tanked through the end of 2018, and Canopy investors are starting the new year with the stock modestly ahead of where it was just 12 months ago.

Time to buy?

Canopy continues to execute its Canadian and global strategies.

The company is positioned well to maintain its leadership in the Canadian medical marijuana sector and has the strategic partnerships it needs to capture market share across the cannabis product spectrum with drinks and branded goods. If edibles get the go-ahead as planned, the launch of cannabis-infused drinks could provide the stock with a nice boost in the back half of 2019.

Europe is also a key market. Canopy already owns a German pharmaceutical distribution business and is building European production facilities to supply the region as governments adjust their medical marijuana policies.

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In South America, Canopy has research and development facilities in Chile and production assets in Colombia that are essential to meet demands of an expanding Latin American market.

The stock is still expensive based on current revenue streams, so investors have to be of the opinion that the long-term prospects for the global cannabis sector are as rosy as analysts predict. Additional volatility should be expected in 2019, so I wouldn’t back up the truck, but those who have a bullish view on the industry might want to consider a small position on further weakness.

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Date
2025/08/26

Date Created
2019/01/02
Author
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