

Will Canopy Growth Corp (TSX:WEED) Hit \$70 in 2019?

Description

Canopy Growth Corp ([TSX:WEED](#))(NYSE:CGC) has become synonymous with the cannabis industry, especially in Canada. It's therefore not surprising that as pot stocks struggled post-legalization, Canopy Growth was no exception. From highs of over \$76 before recreational pot sales were legalized in October, its stock price has been cut in half since then as it finished below \$37 to close out the year.

Can the stock recover?

Canopy Growth has a long way back to its previous highs and for a while it looked like it was destined to stay above \$60, but that has not been the case for some time. It certainly didn't help that the company [missed expectations](#) in its most recent earnings. The company is going to need a very strong performance in its next quarter to make up for the miss, otherwise it could raise doubts about whether it can produce the results that investors were expecting.

Now that the recreational market is open for business, cannabis companies are going to be measured against expectations and no longer will it be just a promise of future growth that's going to be enough for share prices to rise. Investors are going to have tangible results to compare against; how well Canopy Growth's stock is going to perform will be dependent on the strength of its top line.

And if that's the case, I wouldn't hold my breath. The size of Canopy Growth's miss in its most recent quarter suggests that a lot went wrong. It's going to have a big hill to climb to bring back investors. Although I wouldn't write the stock off just yet and would wait to see how it does in its next quarter, it's certainly a big red flag that investors shouldn't ignore. Forecasts play a [big part](#) of how a stock does and being unable to manage and meet those expectations will create many problems.

With cannabis stocks at sky-high valuations and trading at significant multiples to sales, performance is going to have to be paramount going forward. While recreational sales and edibles will undoubtedly give Canopy Growth's revenues a big boost this year, it won't matter unless it's in line with expectations.

The path back to \$70

Although I don't expect Canopy Growth to climb back to its previous highs based on performance alone, it could happen given enough hype. Similar to how stocks soared on the promise of significant growth, I wouldn't be surprised to see some bullishness around edibles once we see progress being made on that front.

Bottom line

The hype in the industry is likely to have peaked, although it might get a bit of a bump later this year. But with many more options for investors south of the border to invest in, Canopy Growth may not be

the big name in the industry for much longer.

For now, investors may be better off waiting in the sidelines to see just how well Canopy Growth is able to perform post-legalization before making any investment decision.

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