



## Why Canopy Growth (TSX:WEED)(NYSE:CGC) Is Suddenly a Buy

### Description

Investors received a shock to the system last week when seemingly out of nowhere, marijuana stocks were suddenly moved into the “buy” category again.

It's been a long, harrowing journey back to the land of the hopeful, with Canopy Growth alone reaching heights of \$75 on the eve of legalization in Canada last year, only to lose more than half its share price by the new year.

But hope springs eternal, and in the past month a few newsworthy moments have occurred that have investors setting their sights back on Canopy Growth yet again.

### Hemp happy

Last month, marijuana producers and investors alike were ecstatic to hear that the U.S. would be legalizing the production of hemp products across the country. This includes the production of cannabidiol (CBD), the non-psychoactive ingredient of marijuana that is believed to provide most of the health benefits of medical marijuana.

While all marijuana producers were thrilled by the news, Canopy Growth was over the moon. The company has been setting itself up for this moment for years now, investing and researching as much as for when they hope cannabis is eventually legalized in the U.S.

The company believes it could yield 7,000 kilograms of CBD-packed hemp per year and has already started the process. The company has already been approved to for a licence to start producing hemp in New York. Canopy Growth should then be one of the first marijuana producers to have its product on the market through its partnership with **Constellation Brands**.

With the product ready to go, Canopy Growth is already heading to the next step: further research and expansion in the U.S. The company recently invested more than \$3 million in Headset Inc., a research firm that will provide data on the marijuana industry, tracking sales in states where cannabis is already legalized. This data will help the company expand internationally and also prepare for the day cannabis is (hopefully) legalized throughout the U.S.

## **New year, new rating**

Some of you are reading the above and saying, “So? That was in December, I already knew this. What’s happening now?” Well, a lot actually.

Last week saw good news almost every day for Canopy Growth. It started with news from investment firm Cowen and Company on January 8 that gave the marijuana stock an “outperform” rating. That was followed by celebrity investor Jim Cramer making Canopy Growth his pick in the cannabis industry stock market, even above **Tilray**.

The next day was even better, with highly-respected investment firm Piper Jaffray giving the company an “overweight” rating, with a new price target of \$40USD. The news bumped Canopy’s stock 10% Wednesday morning.

Later that same day, Constellation Brands also came out with its quarterly results. It included an extremely positive forecast of its 38% stake in Canopy Growth. The company estimates Canopy Growth will reach [sales of \\$1 billion](#) within the next 18 months. On January 10, Canopy Growth got another boost when it announced its move into the Latin American medical marijuana market with Spectrum Cannabis Peru.

## **Future funds?**

So have you missed the boat on Canopy Growth? After all this news, analysts are saying there’s still time to get in on the action. After months of sitting at “overvalued,” the stock is finally in the “undervalued” category. At the time of writing, shares are trading at around \$54, with a fair value closer to \$60. The future looks even better, with analysts predicting that the stock could reach \$100 per share.

Of course, it’s still hard to predict how marijuana stocks will perform in this volatile market. Investors may have to wait until Canopy Growth’s earnings report on February 13 to make any final decision. The report would include the company’s [first quarter with Canadian legalization](#) and should report revenue of \$78.97 million, up 362.08% from the same time last year.

And investors should remember that the marijuana industry is still in its infancy. Once production ramps up and all these expansion projects go through, the company should be making \$778 million in sales by 2020 – – and all before cannabis is even legalized in the U.S.

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