

Why Canopy Growth Corp (TSX:WEED) Stock Soared 64% Last Month

Description

Those who declared **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) dead in the water last year are eating their words. After starting off the year at just \$39.28, the company's shares skyrocketed to \$64.42 by the end of last week—putting them within striking distance of their 12-month highs.

At the same time, questions remain about the fundamentals of Canopy's business. The company's Q2 revenue put it among the [slowest-growing](#) pot stocks for that quarter, while its [growing losses](#) remain cause for concern. But at this point, there's no doubt that investor sentiment toward Canopy is high.

The question is, why?

The most recent news from Canopy has generally been considered negative, and it's still more than a week until the company releases a new quarterly report. So the sudden upturn in investor interest in Canopy is somewhat of a mystery. We can start to crack that mystery by looking at results from one of Canopy's competitors.

Encouraging results from Aphria Inc (TSX:APH)(NYSE:APHA)

Aphria was one of the first marijuana stocks to release a quarterly report that included several full months of legal recreational cannabis sales. Although earnings missed, they still grew considerably: revenue was up 147%, while net income was up a whopping 748%. Aphria is a special case because it owns a large investment portfolio, which accounts for most of the growth; but it stands to reason that nearly quadruple figure earnings growth in a close competitor could drive up Canopy's investor sentiment. However, Canopy has gained a lot more than Aphria this year, so that factor alone isn't the full story.

The CIBC report

Another factor that may have contributed to Canopy's meteoric rise is a **CIBC** report that claimed the company was set to become the "global titan" of legal cannabis. The report compared cannabis legalization to the gold rush of yesteryear, and, like the literal gold rush, the cannabis gold rush would reward only a handful of big winners. The report finally concluded that "we believe Canopy Growth represents the industry's best chance at a global titan." This report was highly publicized, and could easily have contributed to rising interest in Canopy.

Among the best legal cannabis sales pipelines

A final factor that could be driving Canopy shares up is the fact that the company has a fantastic sales pipeline. Unlike its competitors, who depend on sales from provincial cannabis stores, Canopy has its own chain of 'Tweed' retail stores—one of which rang in the first gram of legal cannabis just after midnight on October 17 in St. John's. The fact that Canopy has its own retail locations means that its ability to move product is strong relative to its competitors. As for whether that will rescue the company

from slowing revenue growth, we'll have to wait and see. But the wait won't be a long one: Canopy is expected to release its next quarterly report on February 14.

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