



## Canopy Growth Corp. (TSX:WEED) Stock Could Hit Triple Digits This Year

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock threatened its all-time high in late January before retreating in early February. The stock was still up 67% in 2019 as of close on February 14. Its high valuation was one of the reasons I'd [warned investors](#) about jumping into cannabis stocks at this juncture.

The cannabis sector has enjoyed success to kick off 2019 and has been a big factor in propelling the TSX to its best start to a year in decades. Canopy Growth's stock pop in late January was influenced by a rave report from **Canadian Imperial Bank of Commerce**. "We believe that Canopy Growth represents the industry's best chance at a global titan," the report stated.

On the day of recreational legalization, I'd explained why Canopy Growth was the [strongest and most dependable producer](#) for the young industry. Canopy Growth had achieved this through top flight management and sound spending. It's fitting that a Canopy Growth-owned retailer also sold the first cannabis product when the clock struck midnight on October 17, 2018.

Canopy Growth released its fiscal 2019 third-quarter results after markets closed on February 14. Revenues surged 256% year-over-year to \$83 million on the back of 10,102 kilograms in cannabis or its oil equivalent sales. Canopy reported net income of \$74.8 million or \$0.22 per share after a \$330 million loss in the prior quarter. However, the company had reiterated that this loss was largely due to spiking operating expenses in preparation for legalization.

Early data showed that recreational sales were slow out of the gate. This should come as no surprise given the myriad issues covered over the course of the rollout. These included supply shortages, logistical problems, and delayed opening of retail stores that continues to this day. Ontario has been especially slow on the draw, and as of today there are still no licensed brick-and-mortar retails active in the nation's largest province.

The recreational market accounted for over 70% of Canopy's cannabis sales, which is a promising result with other producers still heavily reliant on the medical market. Like its peers, Canopy is looking to expand internationally in order to fuel growth going forward. The company has begun to tiptoe into

the U.S. market after the passage of legislation that removed hemp-derived cannabidiol from the *Controlled Substances Act*.

Back in November 2018, Canopy revealed that it would spend more than \$115 million over the next two years to expand production in the European Union. Cannabis legalization is moving quickly in the European Union in comparison to the slow-moving battle underway south of the border. On February 13, the European Parliament voted on a resolution that would help advance medical cannabis legalization for its member states.

So how does Canopy's value look right now? What are the chances it breaches the \$100 mark in 2019? As of close on February 14, the stock had an RSI of 57, as shares have fallen out of overbought territory. The cannabis sector has been historically volatile, but Canopy Growth is setting itself apart by expanding its global reach. With results to back up the hype, Canopy Growth is a great bet to reach the triple-digit milestone this year.

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