Should You Buy Canopy Growth Corp (TSX:WEED) After Earnings?

Description

With a market cap of over $20 billion, **Canopy Growth Corp** (TSX:WEED) (NYSE:CGC) is currently the largest player in a crowded field of Canadian cannabis companies. Indeed, Canopy is already one of the world's largest producers of marijuana. Over the past 12 months alone, the company's share price has soared by more than 100%.

Canopy's return since 2014 – when the company's stock was worth a dollar or two – is even more impressive. Canopy has undoubtedly already made some investors rich. Buying a stock for as little as two dollars and selling it back for 30 times that is a great investment decision.

This leaves investors who are a bit late to the party at a crossroad, wondering how much Canopy can continue climbing. Of course, if the company can emulate the kind of success it has had, the decision of whether to buy its shares is a no-brainer.

But some may fear the company has run out of steam and will fail to significantly increase its share value from here on. Is it really too late to try to cash in on the Ontario-based cannabis company? I don't think so. Here is why Canopy could soar even higher.

Canopy's third-quarter earnings report

The recent development in the cannabis industry in Canada played a major role in Canopy's success. New regulation in the medical marijuana market and the legalization of recreational marijuana in Canada have helped the company's top line grow exponentially.

Canopy's latest earnings report showed a net revenue of $83 million, which represents an increase of just over 283% year over year. As expected, this result was driven by the sale of recreational marijuana. Canopy's revenue from this segment $71.6 million, or more than 86% of the company's revenue. The amount of kilograms sold by the company was also up by 334% year over year.

A growing industry

It is worth noting that Canada was only the second country (the first among G7 nations) to legalize the recreational use of marijuana. Medical marijuana, on the other hand, is legal in many countries. Canopy – as well as other cannabis companies – is counting on the recreational marijuana industry to take off worldwide. When it does, Canopy is already in a good position to take advantage.

The company's subsidiary, Spectrum Cannabis, has a hand in about a dozen countries. Canopy also recently entered the U.S. market after medical hemp was legalized. After obtaining a hemp license in New York, the company will invest around $100 million in stepping up its first U.S. hemp operations.

The bottom line

The future looks bright for the cannabis industry, and few firms have as strong a market position in it as Canopy. The Ontario-based cannabis company has yet another powerful weapon at its disposal: boatloads of cash and market expertise by way of its partnership with **Constellation Brands**.

All things considered, Canopy has good arguments as to why investors should buy its shares. A growing industry, a strong market position within this industry, and enough capital and expertise to keep the momentum going for a long time.

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