



## What Should You Do With Your Canopy Growth (TSX:WEED) Stock?

### Description

Investors who thought they were headed for a \$100 share price for **Canopy Growth** ([TSX:WEED](#)) (NYSE:CGC) are feeling pretty bummed out at the moment.

After rallying back to the \$70 range, coming up from the depths of a \$30 share price, investors hoped this was a sign of things to come.

But in the last few weeks, shares have dropped down to below \$60 a share, where they've pretty much stayed. The problem is, is this a fair value? Some analysts believe the stock is still overvalued, and with a recession at risk, perhaps shares could go even lower.

So, let's take a look at Canopy Growth and see [what you should do](#) with those stocks.

### Latest results

In the latest earnings report, Canopy Growth reported a net revenue of \$83 million for the third quarter. This was up 282% from the same time last year.

Chief Executive Officer Bruce Linton has been betting on his horse for a while and has seen some significant gains. He currently has a stake of 2.5 million shares of Canopy Growth, worth about \$145 million.

It seems at least for now like a good investment. Canopy Growth owns about 30% of the marijuana market share in Canada. As sales and revenue grow, this should help to grow earnings too. However, the company has been making a lot of moves without much to show for it ... yet. And analysts are worried it's this "yet" that is really driving the stock price.

### Constellation prize

The first major move Canopy Growth made last year was with **Constellation Brands**. The company

invested first \$2.4 million and then \$5 billion in the marijuana company, upping its ownership interest to 38% from a previous 9.9%.

Constellation's CEO Bill Newlands reiterated his support for Canopy Growth after the company's recent earnings report, saying he believes the company will reach \$1 billion in annual sales next year. He says the company will be helped once brick-and-mortar retail stores open their doors, along with the roll-out of vape, edible, and beverage products that should hit the Canadian market next fall.

Meanwhile, Canopy Growth has been assuring investors it's putting those funds to good use south of the border.

## American expansion

With news of the Farm Bill hitting headlines, Canopy Growth was quick to announce it would be investing between \$100 and \$150 million in the U.S. hemp market. With its link to New York-based company Constellation, it's already obtained a licence to cultivate hemp in the state.

Since then, Canopy Growth has also acquired a Colorado-based research company to collect data on American consumption of marijuana so that it can be ready the moment the U.S. (hopefully) legalizes cannabis.

But that's another red flag for investors. With all this expansion, it's as if Canopy Growth has already hit the American market with legal weed, when really it's only in a few states. Right now, valuations just cannot be measured based on any U.S. data until marijuana is legalized.

## Waiting it out

This brings me to my main point: in the case of Canopy Growth, [wait it out](#). Granted, this stock is headed for greatness. I'm the first to admit that. Once all its investments are underway, profits should skyrocket, but that could take a few years. And who knows when U.S. legalization will happen, if it happens.

And again, there's that nasty recession looming above us. As it gets closer, I expect this company's share price to drop even further, which could provide a great entry point for investors.

But if you're like me and (thankfully) got in a couple of years ago, hold on to this stock. As I mentioned, it holds 30% of the Canadian market, it will be able to produce 500,000 kilograms of cannabis per year, and it has an international future ahead that should excite current investors.

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2. NYSE:STZ (Constellation Brands Inc.)
3. TSX:WEED (Canopy Growth)

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