



Will Canopy Growth Corp (TSX:WEED) Hit \$1 Billion in Sales Next Year?

Description

Remember the **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC)/**Constellation Brands** ([NYSE:STZ](#)) [acquisition](#)?

Last year, it was one of the biggest stories in the Canadian markets. After months of legalization hype, Constellation announced in August that it would be acquiring a huge \$5 billion stake in Canopy, bringing its total ownership to 35%. The acquisition began a massive rally in weed stocks that raised not only Canopy, but also most of its competitors.

Since last fall, the Constellation deal has seen few new developments. But the company's CEO recently spoke out in a rare public comment that may reveal why Constellation was willing to pay so much in the 2018 deal.

Constellation CEO says Canopy headed to \$1 billion in annual revenue

In a recent conference call, Constellation Brands CEO Bill Newlands claimed that Canopy Growth would hit \$1 billion in revenue by 2020. This was not the first time that Newlands made this claim. However, it was the first time he was able to back it up with clear data. Using Canopy's \$83 million in Q3 revenue and [282% net revenue growth rate](#), he concluded that a "run rate" of \$1 billion was within striking distance.

Why \$1 billion is such a crucial benchmark

You see, \$1 billion in revenue is a crucial milestone for Constellation Brands for one simple reason: its stake in Canopy is massive. Not only did it invest \$5 billion in Canopy stock last year, but it took a smaller stake a few months prior to that. This is a company with a huge chunk of coin riding on Canada's largest weed stock. A valuation of \$5 billion implies that Canopy will be worth that much from its discounted future cash flows—notwithstanding the possibility of Constellation simply dumping its

Canopy shares at a high price.

For Canopy to be worth that much over, say, a 50-year period, it needs to generate \$100 million a year in net income for 50 years. Given the typical profit margins in the cannabis space, the company would therefore have to start doing well over a billion in sales to be worth what Constellation paid for it.

Canopy's revenue growth

It's definitely within the realm of possibility that Canopy could hit \$1 billion in revenue this year or the next. Judging by last quarter's sales, the company could earn up to \$332 million this year. If last quarter's net revenue growth rate stays steady into next year at 280%, then that \$332 million could rise to \$929 million next year. That's just a hair short of a billion.

Also, if Canopy sees accelerating revenue growth this year, it's not impossible that the company could even hit the \$1 billion mark before 2019 is out. However, it would require significant acceleration, as Canopy's quarter by quarter revenue growth in 2018 was not amazing. In Q2 (which corresponds to Q3 of the 2018 calendar year), for example, revenue was actually down from Q1, at \$23 million vs \$25 million.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/07/06

Date Created

2019/04/24

Author

andrewbutton

default watermark

default watermark