Canopy Growth (TSX:WEED): When Will Its Stock Hit $75 Again?

Description

After surging more than 70% this year alone, **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) stock looks expensive to some analysts and hedge fund managers. They argue that after the major deal activity during the past 12 months, there isn't much left to look forward to and the company's stock will struggle to reach new highs.

In the latest bull-run that started after April 15, the stock of the world's most valuable pot company surged 15% as Canopy announced to acquire New York-based **Acreage Holdings Inc.** in its first cross-border deal.

The $3.4-billion takeover of Acreage, which has yet to go through a shareholder approval, is one of the biggest catalysts for the company this year, as the deal will bring one of the largest U.S.-based pot firms under its umbrella.

Acreage has cultivation, processing, and dispensing licences or agreements with holders in 19 states in the U.S. It also manages a chain of retail stores called The Botanist. As part of its plan to build an extraction and manufacturing facility in the U.S., a much bigger market for both medical and recreational marijuana, Canopy also acquired a hemp licence in New York State early this year.

What can fuel more gains in Canopy stock?

Besides these headline-grabbing deals, there are many other factors that could fuel further growth in Canopy stock. In my view, Canopy Growth stock still has more room to run. The biggest reason that makes me bullish on Canopy stock is the company's early success in executing its marketing strategy after the October legalization of recreational marijuana use in Canada.

Canopy's second-quarter earnings report, released in February, showed that the producer has begun to capture that major share in Canada's pot market. During that period, its sales rose to $83 million, up 282% from a year earlier and ahead of the consensus estimate of $78.7 million.

No doubt, Canopy reported the lower-than-expected gross margin and its loss widened due to escalating costs, but what is reassuring for investors in these numbers is that Canopy is succeeding to maintain its leading market position in the fiercely competitive market.

Eight Capital analyst Graeme Kreindler estimates that Canopy captured 40% of the Canadian recreational market since it opened up for recreational use, while **BMO** analyst Tamy Chen estimates that it captured 30% of the market.

Bottom line

Even after a very powerful rally in 2019, Canopy Growth stock is still trading about 19% lower than its all-time high it hit in October. I feel the stock can easily reach that level if Acreage shareholders approve the Canopy takeover and the producer continues to show strong growth in sales.

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