At What Price Does Canopy Growth (TSX:WEED) Become a Good Investment?

Description

Now that marijuana stocks have somewhat stabilized, it's time for investors to take a good look at where they should put their next dollars.

Of the top tier marijuana stocks out there, it's pretty much impossible to argue that **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) isn't number one. But that doesn't necessarily mean you should buy it at any moment.

This industry is still volatile, and even if Canopy Growth is set to explode, investors need to be mindful of investing at the right time to make the most of their investment.

Bearish view

Canopy Growth has a lot to prove in the next while to show investors that it can keep up the hype. The company seemed to be making announcement after announcement that sent shares through the roof, but then that all suddenly stopped.

Meanwhile, investors were left realizing that all these announcements were simply the company spending money. Of course, that money is toward investing in the company's future, but it's hard to convince investors to buy more when the company just isn't producing that record-breaking share growth of last summer.

This has some analysts believing canopy is in for a huge writedown. In fact, analysts' predictions range widely, saying the stock could sink to $40 per share or rise to as much as $100 per share in the next 12 months.

Bullish view

While the announcements and excitement may have subsided, the growth is still there for Canopy Growth. Recently, the company announced that net revenue grew 280% year over year. This is on top of the cash in pocket of $3.7 billion, which is mainly from the company's investment from **Constellation Brands**.

The company plans to continue its trend of spending to boost its market share, mostly through acquisitions like the one recently with **Acreage Holdings**. As this continues, and as the company's reach expands, Canopy Growth really has set itself up to be the biggest and best long-term investment in the cannabis industry.

With 4.3 million square feet of licensed growing space and expansion plans still in place, this company definitely holds the title of the biggest. It's also not just in Canada, but has expanded to medical cannabis markets across the world, and by entering the U.S. industry after hemp legalization.

Undervalued

Right now, this stock is (finally) undervalued at the time of writing, trading at $61.25 per share. But not by much. Analysts believe it's worth closer to $70 per share, and as I said, that could shrink or grow depending on what the company does in the next few months.

With its quarterly earnings report coming in June and cannabis-infused beverages on the table, there could be a huge amount of growth for this company in the next year. Also, as cultivation facilities come up and running, gross margins will skyrocket, bringing share prices even higher.

Bottom line

This is a great stock, but I would wait until the next earnings report before buying. True, it's undervalued, but in the last month alone it's hit the low $50 per share range. Even if quarterly earnings are spectacular, it's likely this stock will drop again to that level, which is when I would buy again.

It won't be until production ramps up that this stock could soar once more, and maybe then it'll hit that $100 per share mark.

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