Will Canopy Growth (TSX:WEED) Stock Stumble When it Reports in June?

Description

Today, before market open, **Canopy Growth** (TSX:WEED)(NYSE:CGC) announced that it will acquire skincare and well-being company This Works for $73.8 million in cash.

This Works is a London, England-based company that specializes in natural skincare and sleep solutions with customers in 35 countries.

Natural health products, such as vitamins, minerals, herbal remedies, traditional medicines, and homeopathic remedies have exploded in popularity in recent years in North America, as consumers and practitioners alike are increasingly blending western medicine with natural wellness products in an effort to achieve wellness and disease prevention.

With this acquisition, Canopy shows us once again why it's the leader in the cannabis industry. Management continues to be proactive and forward thinking in their attempts to continue to solidify their first-mover advantage.

With the acquisition of This Works, Canopy will have at its disposal a business that has done important work in sleep and skin health, with formulations that "work in harmony with the body's natural 24-hour body clock."

Adding a CBD component to these products lines is a natural extension to the company's business, and work will now begin on a new line of skincare and sleep solution products infused with CBD.

Firing on all cylinders

Clearly, Canopy is firing on all cylinders, and the market has been key in supporting this growth in spending and investment.

The company's Acreage deal last month is another example of Canopy's proactive moves to capture and solidify its position in the industry.

It's a US$3.4 billion cash and stock deal and gives Canopy the means to enter the U.S. market as soon as it is legal. Canopy is paying $300 million today for the right to make this acquisition should federal legalization occur.

Fourth-quarter fiscal 2019 results upcoming

Canopy will be reporting its results on June 19, with consensus expectations calling for a net loss of $0.23 for the quarter.

In the third quarter of fiscal 2019, the company's loss from operations was $157 million, and for the first nine months of the fiscal year, the company had a loss of $1.45 per share.

While this is to be expected, as the company is embarking on a very aggressive growth strategy, it is nevertheless something investors should watch, as it continues to fall to the bottom line, reducing earnings and cash flow numbers.

Also, watch shares outstanding, which have increased dramatically because of acquisitions and internal compensation.

Final thoughts

Canopy remains the leading cannabis stock, with one of the most extensive global presences and operations in 12 countries across five continents.

Be prepared for a wild ride and, if you're up for it, add on weakness and take profits to protect your money while you profit from this burgeoning business.

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Date
2025/07/05
Date Created
2019/05/22
Author
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