Is Now a Good Time to Buy Canopy Growth Corp (TSX:WEED)?

Description

Canopy Growth Corp (TSX:WEED)(NYSE:CGC) is the largest cannabis company in the world by market cap. Despite the firm being widely regarded as one of the best equipped to profit from the growing marijuana sector, many investors think Canopy is currently overvalued. However, Canopy's share value has decreased by about 15% over the past month at writing. Is now a good time to purchase shares of the Ontario-based pot company?

Recent developments

Perhaps the biggest news Canopy made recently was its deal to acquire **Acreage Holdings —** a U.S.-based cannabis company — if marijuana becomes legal at the federal level in the U.S., this acquisition would obviously be significant for the firm.

Despite Canada being the first industrialized country to legalize recreational uses of marijuana, the U.S. remains the largest market in the world. If pot is fully legalized south of the border and this acquisition goes through, Canopy would benefit in a major way.

However, this news came with one important asterisk, namely, the fact that Canopy chose to finance a significant portion (over 90%) of this (potential) deal with its common stock.

Marijuana companies have been reverting to dilutive forms of financing since their early years. It was a necessary evil, as none of them had the funds necessary to finance their growth. But Canopy doing so at this stage isn't great news for its shareholders, though the acquisition may end up being worth the hefty price tag.

Canopy's competitors release their earnings

In other news, most of Canopy's peers have now released their Q1 2019 financial results, which should give us a clue as to what Canopy's will look like. As a reminder, for the Q4 2018, Canopy was far and away the winner in terms of sales and revenues.

With revenues of $83 million (and about $10,100 kilograms of cannabis sold), Canopy outperformed **Aurora Cannabis**, **Aphria** and **Tilray**, which reported revenues of $54.2 million, $21.7 million, and $20.9 million, respectively.

During its latest quarter, Aurora posted gross revenues of $75.24 million and net revenues of $65.15 million. Though its gross revenues increased by about 367% year over year, it only represented a 38% quarter-to-quarter increase.

Investors can expect to see a similar progression in Canopy's next earnings report, which should be released sometime next month. The company should also see an increase in its production capacity.

Is now a good time to buy?

Canopy still has some of the best prospects of any pot company. Despite its relatively high price tag, it may worth it to invest in the Ontario-based firm. Of course, some investors may feel that its share price is bound to decrease significantly at some point. It isn't the worst idea to wait until that happens.

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