



## Should You Buy Canopy Growth (TSX:WEED) Ahead of Earnings?

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) is the largest cannabis company by market cap on the TSX. In early April the company joined the S&P/TSX 60 Index, becoming the first company in the fledgling cannabis sector to do so. Canopy Growth stock gained significant momentum in April after this announcement, but it has struggled in the month of May.

Shares have dropped 18% month-over-month as of close on May 29. In mid-April, I warned investors that [volatility would likely catch up to the cannabis sector](#) before the spring was finished. Still, Canopy Growth stock has climbed 56% in 2019 so far.

Is Canopy Growth worth buying ahead of its fourth quarter fiscal 2019 results? It is expected to release its next batch of earnings on June 26. Several of the top producers have released earnings that have disappointed in the spring. Cannabis sales softened to open the calendar year as supply has continued to weigh on retailers.

Most of the top producers will have [ramped up production](#) to much larger levels by the end of the year, but in the near term the industry is still experiencing growing pains.

In its third quarter fiscal 2019 results, Canopy Growth saw revenue surge 282% year-over-year to \$83 million and the company sold 10,102 kilograms of cannabis. Similar to its peers, Canopy is working feverishly to ramp up production in order to fill demand domestically and for its expanding global footprint.

In late May, the Government of Canada gave approval to Les Serres Vert Cannabis, a subsidiary of Canopy Growth, to begin cannabis production. It boasts a 700,000 square foot operating space in Mirabel, Quebec; nearly 200,000 square feet were not being used.

The most exciting development at Canopy in recent weeks was its deal with Acreage, a U.S.-based cannabis company. As it stands today, shareholders with 91% of vote shares at Acreage are poised to approve the acquisition.

Canopy CEO Bruce Linton said the language of the deal affords Canopy some flexibility, as the debate

over recreational cannabis still rages south of the border. The needle is pointing in the direction of more leniency on a federal level going forward, and Acreage will give Canopy valuable access to an enormous market.

Canopy Growth stock was up 1.14% in early afternoon trading on May 30. Like many top producers in this young sector, Canopy Growth boasts a high valuation. The stock had an RSI of 40 as of this writing, putting it in neutral territory as far as this technical indicator is concerned.

Turbulence in the broader market should concern investors as we move into the summer months. In the sector's short history, broader volatility has proven to sweep up cannabis stocks.

Canopy Growth and other top producers challenged 52-week lows in the late 2018 stock market rout. There's a lot to like about Canopy Growth going forward, especially after its Acreage move. However, the stock is still too pricey for me ahead of its next earnings report.

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## Date

2025/07/19

## Date Created

2019/05/30

## Author

aocallaghan

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