



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

Description

Canopy Growth Corp ([TSX:WEED](#))(NYSE:CGC) is going to be releasing its quarterly earnings later this month. And with its share price struggling since May, investors might be tempted to buy the stock before it announces its year-end results. Let's take a closer look at the company to see whether it's a good idea to buy now.

In its [last earnings release](#) back in February, Canopy Growth recorded significant sales growth numbers yet again. However, with a lot of cash burn and soaring expenses, there were plenty of red flags that kept the stock from gaining any momentum. The danger is that in Q4 it could be much of the same, as Canopy Growth has been very busy wheeling and dealing, which is sure to add some significant costs along the way, potentially sending the company even deeper into the red.

While Canopy Growth is playing the long game and looking to strengthen its position over the years, in the short term, it's going to lead to a lot of pain. However, investors are aware of these challenges and likely aren't expecting the company to produce an (operating) profit anytime soon. Otherwise, Canopy Growth wouldn't be at a market cap of around \$20 billion today.

Is excitement surrounding Canadian pot stocks fading?

The big risk for Canopy Growth isn't related to its financials or whether it will meet expectations; rather, it's that investors have so many more options to choose from, as the U.S. cannabis industry has been growing and capturing a lot of attention lately. There's no denying that the opportunity south of the border is a lot more lucrative given how strong sales have been in California and in other states.

While Canopy Growth certainly looks to capitalize that through its plans for [hemp](#) and the acquisition of **Acreage Holdings**, it's still a long-term play that could take years to be realized. Meanwhile, companies in the U.S. are already expanding their reach throughout the country.

In order for investors to get excited about Canopy Growth, the company will have to announce some progress or expectations for its plans for the U.S. because strong results in Canada may not be enough to lift the stock from where it is today. Industry developments or company announcements

have typically given Canopy Growth a big boost in the past. Investors have looked for signs of the growth that might be coming down the pipe rather than what has already been achieved thus far.

Bottom line

Barring a significant announcement made at the Q4 release, I would be surprised if the company sees a big boost in its share price even after a strong earnings result. However, given we've seen many misses in the industry since legalization, I wouldn't hold out hope that Canopy Growth will produce a positive surprise this time around.

It may not be until edibles are legalized until we see some excitement returning to Canadian pot stocks. For now, however, the focus appears to have shifted away, and while that might make Canopy Growth an appealing buy today given its softer price, I wouldn't expect the stock to get a big boost after the company releases its earnings this month.

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