



## What Can Investors Expect From Canopy Growth's (TSX:WEED) Q4 Results Tomorrow?

### Description

It's that time of year already, and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock is set for a potentially turbulent week as the cannabis company gears up to release its fourth-quarter results tomorrow. It seems a good time to recap what analysts will be looking for in tomorrow's report, which is sure to divide marijuana investors.

First, however, let's look back at last year's Q4 results for a moment. In 2018, Canopy Growth lived up to its name in two key areas, with year-on-year growth in its patient base of 35% and an encouraging 55% increase in revenue. It was positioning itself for legalization at the time and had signed contracts with the five largest provinces while building stores where this was permitted.

However, while Canopy Growth's Q4 revenue growth was significantly high last year, it missed expectations (for the seventh quarter in a row), and the marijuana producer's earnings before taxes, interest costs, and depreciation (EBITDA) was significantly negative. The picture might not be all that different tomorrow, with increases in output and sales likely balancing losses elsewhere.

### Expect to see growth in sales and production

Let's take a quick look now at the expectations for tomorrow's earnings report. As usual, analysts are expecting a strong top line, which should help to narrow losses. Overall, however, an earnings loss is expected, as this has been the narrative for Canopy Growth so far, and doesn't look set to be reversed any time soon. Another factor that should help the marijuana producer's Q4, besides encouraging growth in sales, is a big boost in production.

Higher output equals higher sales, at least in theory. Looking at Canopy Growth's third quarter, the pot producer shifted over 10,000 kg of cannabis, leading to a revenue of \$97.7 million. Production capacity is likely to be up and should be reflected in tomorrow's report. Expansion has been a [key facet of Canopy Growth's management style](#), snapping up AgriNextUSA, and buddying up with **Sequential Brands Group**.

## Some investors may wonder if Canopy Growth is overreaching

With cash getting pumped into deals, expansion, and research into a whole array of different products, including edibles, you have a company whose revenue is likely to continue to grow, while the bottom line continues to be negative. Investors may wonder whether Canopy Growth is spreading itself too thin, while also querying the rough timeline for profitability.

Looking beyond this fiscal year, all eyes are likely to be on our cousins to the south. If the U.S. legalizes recreational marijuana, Canopy Growth will be in a great position to [maximize its reach and conquer whole new markets](#). Indeed, should the deal go ahead with **Acreage Holdings**, Canopy Growth could find itself the king of Canadian cannabis.

## The bottom line

While the fledgling legal recreational marijuana sector has a long way to go before it settles, Canopy Growth remains a front-runner in the cannabis race. While its Q4 results are sure to be divisive, the company's emphasis on growth and expansion are sure to be ongoing elements of Canopy Growth's business strategy.

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