



## 3 Reasons Canopy Growth Stock (TSX:WEED) Is a Hot Buy at \$50

### Description

**Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) looks to have lost the bullishness surrounding the stock lately. Finishing last week at less than \$53, it's a far cry from when the stock reached over \$70 earlier in the year. However, if it falls to \$50, even at its current price point, the stock could be a hot buy for the following three reasons:

### Something big could be around the corner

Canopy Growth could be the beneficiary of some acquisitions that its U.S. partner **Acreage Holdings Inc** (CNSX:ACRG.U) is currently working on. Although the deal between the two cannabis companies is not finalized, [and may never be](#), that doesn't mean that what Acreage is doing won't have a significant impact on Canopy Growth.

After all, the expectation is that the deal will become official at some point in the future. If that happens, its actions today will effectively be adding value to Canopy Growth as well.

In a recent interview, Acreage CEO Kevin Murphy hinted at some deals in the works that will attract the attention of investors: "There are going to be some really exciting ones, I think some head-turners." Now that Acreage has the deal with Canopy in its back pocket, it is able to use that to help draw in other partners to help improve its position in the U.S. market.

One area the company is targeting is Illinois, which recently legalized pot. Murphy said that "We have designs on going very deep and very broad in that state."

Any progress that Acreage makes and any company that it acquires will have an impact on Canopy Growth, which is a big reason why the stock could have a lot of potential upside in the very near future.

### Until recently, it's had strong support at the \$60 mark

Canopy Growth has generally traded above \$60 since February and for much of 2018 as well. While

there's no denying the stock is expensive, investors have shown a willingness to pay a significant premium to own Canopy Growth. I'm not convinced that the stock's recent decline in price is anything more than a temporary dip in value.

We've seen a lot of volatility over the past year, and given the potential in the market, it's only a matter of time before investors start buying the stock up again.

## All it needs is a strong quarter

The company has seen a lot of growth in sales every quarter, but what's really going to get investors onto the bandwagon is if Canopy Growth can be EBITDA positive. That's just one of the goals that the company [believes it can attain](#). If it can balance profitability with strong growth, then the stock could take off in a hurry.

The big negative against pot stocks these days is their lack of profitability and cash burn. If Canopy Growth can turn that trend around, it will attract a lot more investors.

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