



## Canopy Growth (TSX:WEED) CEO Ousted: Is the Stock Still a Buy?

### Description

The departure of the embattled Bruce Linton from **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) on July 3 seems to be hurting the largest cannabis company in the world. The company's founder was mainly responsible for Canopy's growth for the past six years. Today, there's [doubt](#) as to whether investors should still buy WEED.

Linton left the company with 5.6 million square feet of cultivation capacity in 10 sites. He also obtained the licence from Health Canada for the more than 4.8 million square feet.

Overall, Linton did a superb job of priming Canopy Growth for massive production. But his dreams of making the company the industry stalwart were shattered. The **Constellation Brands**-dominated board decided to kick Linton out.

### Stock performance

The day after Linton stepped down, WEED dropped by 0.84% to \$53.07. As of July 12, the price has gone down by 16% to \$44.58. The same thing happened on the NYSE, as the stock pointed downward.

There are mixed reactions on the firing of the rock star in the cannabis space. Some are saying it's good for the company with kind words for Linton. The former CEO didn't do significant damage except that the biggest investor became too impatient.

Others think Linton's plans were great but the spending was excessive, and so is the bleeding on the bottom line. The Corona-beer maker was extremely worried about the escalating losses that were impacting heavily on its operating results.

Thus, Constellation Brands had no choice but to appoint co-CEO Mark Zekulin as the interim chief executive. A new CEO will come by December.

## New direction

According to management, the replacement should have international experience and ideally a strong background in pharmaceuticals. The person would be tasked to improve market share and penetrate new markets or create new business segments.

But the pressure is on. Canopy Growth's net losses have ballooned by 1,204% in 2018. The next-CEO should be able to turn the company around. In the meantime, expenses need to be curtailed including cutting down on marketing expenses.

The focus moving forward will be on profitability. Canopy Growth is expected to turn in profits by 2021 but not any time sooner. Maybe the company really needs a fresh start.

As for Bruce Linton, we won't see him move to another cannabis producer. He had a non-compete clause in his employment arrangement with Canopy Growth. Linton would've been an asset and leader in industry rivals in need of a visionary.

## Hold the purchase

Canopy Growth just dropped the industry leader tag with the abrupt exit of Bruce Linton. The [race is wide open](#), and a company not named Canopy Growth might assume the leadership role.

I'm sure the company will survive this setback and perhaps come out stronger. But until it's headless, it is highly doubtful if the price level can be maintained. The time to invest in Canopy Growth will come. But it's not today.

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