



## Canopy Growth (TSX:WEED) Earnings: 3 Key Things You Must Monitor

### Description

The signs are ominous as **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) will deliver the financial results for the quarter ended June 30, 2019 on August 14. WEED dropped by less than 1% to \$42.75.

The price might rise or fall after the report because of other factors and not necessarily the financial results.

No matter how you look at it, the [marijuana industry](#) is not the same since Canopy fell off the leader board. The stock lost its glory when the company's [business partner](#) **Constellation Brands** expressed displeasure over the excessive spending and mounting losses.

Former CEO Bruce Linton had a falling out with the major investor last July. Hence, Canopy's founder will not be around to discuss the earnings report during the conference call. Investors can expect a different tact from the people that took over the reins.

### Expectations

Market analysts covering Canopy Growth are predicting a year-over-year increase in earnings on higher revenues. The consensus is that revenue could be close to \$86 million or a 328% increase compared to the same period last year. Losses would be lower by 6.5%.

This earnings assessment hasn't changed in the last 30 days. What will influence the stock price movement in the near-term is the new direction Canopy Growth will take.

Investors will not focus so much on the earnings as the picture is predictable. The new management will be under scrutiny.

### Next phase of growth

When Linton was fired, Constellation Brands CEO Bill Newlands cited Canopy's disappointing year-

end results as the reason. Bill is saying now that it was not reason the former chief was relieved.

Constellation Brands got a \$1.6 billion pre-tax gain from the \$4 billion investment in Canopy last November 2017. The windfall somehow offset Canopy's negative impact on the beverage giant's bottom line, so the return has been good so far.

Canopy's board of directors felt the shake-up at the top was necessary. The company needs a new leader for the next phase of the cannabis producer's growth.

Management is bullish on that exponential growth of the market over the next decade. They believe Canopy is best positioned to lead than anyone in the industry.

## Shift in market focus

Bruce Linton had his sights set on recreational marijuana but I would expect a change in focus. Canopy will introduce higher-margin cannabis products like beverages, edibles, and vapes in Canada later this year.

The company will capitalize on the extraction capabilities of newly acquired KeyLeaf Life Sciences. The U.S.-based company is a significant addition to Canopy's value chain and an integral part of Canopy's expansion plan in the U.S.

Canopy hopes to win big in the U.S. hemp cannabidiol (CBD) market when the large-scale hemp production center in New York is completed.

## Long-term opportunity

Canopy is overly optimistic about the potential of the deal to acquire cannabis operator Acreage Holdings. Although the U.S. federal cannabis reform might not come soon, the company will wait.

Investors are still unsure whether Canopy Growth will regain lost glory. But it is certain the moves will be more calculated in pursuit of profitability. Gone is the boldness of Bruce Linton who was responsible for the company's rise in stature.

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