



## Bruce Linton Is Buying More Shares of Canopy Growth (TSX:WEED): Should You?

### Description

Last week was a rough one for **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC). The stock had already been struggling in recent months and after the company released its first-quarter results, the stock fell even further, falling below \$40 a share for the first time since January.

At over \$37 to finish the week, Canopy Growth is right around its 52-week low and there's the possibility that it could continue going lower as investors have been bearish on cannabis stocks lately.

### Why are investors so down on the stock?

Canopy Growth fell short of expectations for sales this past quarter and it continued to record a significant loss as well. While the \$1.28 billion net loss looked a bit extreme given that \$1.18 billion of that related to the extinguishment of warrants, it was still well short of what investors were hoping for from the company in the first quarter of fiscal 2020.

There's also growing concern that rival **Aurora Cannabis Inc** may be taking over top spot in Canada. Although Canopy Growth's \$90.5 million net revenue this quarter was a significant increase from the \$25.9 million in sales witnessed a year ago, Aurora could be in for an even stronger quarter.

The company updated investors earlier this month, saying that it expected to generate between \$100 million to \$107 million in revenues, net of excise taxes. Aurora is going to release its quarterly results next month.

The gap between the top two pot stocks in Canada has certainly been shrinking. And if we look south of the border, U.S. cannabis stocks may even be better buys given the larger markets that they have access to.

### Former co-CEO still believes in the company

One investor that's buying up shares on Canopy Growth as it falls in value is none other than its [former Co-CEO](#), Bruce Linton. He recently told *BNN Bloomberg* that he had been adding to his holdings of Canopy Growth, saying, "Yes, I have bought on this August sale."

It's definitely been quite a sale as the stock is now down close to 40% in the past six months. Linton obviously knows a lot of the work that the company has been doing and knows what's ahead for the industry, and so his trust in the stock could be a strong vote of confidence for the company.

## Does this mean it's a good buy for other investors?

You have to go back to July of last year for the last time Canopy Growth was regularly trading below \$40. It was [big news](#) surrounding **Constellation Brands** that would send the stock soaring shortly afterwards.

While it may seem like a big reduction and an opportunity to buy Canopy Growth at a cheap price, the stock has also been overvalued for some time, and an argument could be made that its current valuation is closer to what the company is worth than the inflated values it has been trading at over much of the past year.

However, we've seen how excitement can take cannabis stocks to new heights, and I wouldn't be surprised to see Canopy Growth ride another wave back up.

Whether it's the legalization of edibles or the emergence of the U.S. market, I'm not convinced that Canopy Growth's stock is going to stay below \$40. It could prove to be a good long-term buy, but it's definitely not suitable for risk-averse investors.

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