# Has Canopy Growth (TSX:WEED) Stock Bottomed?

### Description

The decline in marijuana stocks through the summer months wiped out billions of dollars in market value and put a big dent in the portfolios of investors who binged on pot stocks during the early 2019 rally.



In recent days, however, the sector started showing new signs of life, and fans of cannabis stocks are wondering if this is the right time to begin a new position in the leaders.

Let's take a look at the current situation and see if **Canopy Growth** (TSX:WEED)(NYSE:CGC) deserves to be on your buy list.

## Background

Last October, Canopy Growth hit a closing high of nearly $74 per share just before Canada legalized the sale of cannabis for recreational use by adults. The anticipation of the legal pot market drove investors into a buying frenzy ahead of the launch, as pundits and analysts predicted the instant creation of a Canadian market worth at least $5 billion.

The sector stumbled right out of the starting blocks amid supply shortages and order-fulfillment issues across the country. Speed bumps were to be expected, but things really didn't go well, and by late December, the sector had taken a huge hit. Canopy Growth finished 2018 at $36.60 per share, pretty much right where it is today more than eight months later.

Pot stocks recovered most of their losses in a major rally in January, but the buzz wore off at the end of April, and the sector went into a strong decline. Part of the pain is connected to big quarterly losses at many of the producers and little indication of a move to profits in the near term.

Canopy Growth's founder actually lost his job in July after the board relieved him of his position as both chairman and co-CEO. The decision shocked the market, but pundits say mounting losses became too painful for the firm's largest shareholder, **Constellation Brands**, which invested $5 billion at $48.60per share last August to boost its holding of Canopy Growth to 38%.

The other reason for the declines is likely connected to a string of other firings and resignations across the big names in the industry. CEOs and founders have been forced to leave their companies due to accusations ranging from self-dealing to growing cannabis in unlicensed facilities.

## Recreational market: Phase two

The latest uptick in the market could be due to the impending arrival of the legalization of the sale of cannabis edibles. Everything from candies to cookies to cannabis-infused drinks will hit the Canadian market in the coming months, and analysts are once again predicting an instant market worth billions of dollars.

Canopy Growth is positioned well to win a good chunk of the business. The company arguably has the best-known brand in the industry, and its retail presence across both medical and recreational segments should help, assuming it comes out with products that actually appeal to edibles consumers.



The bigger prize could be the cannabis-infused drinks opportunity. This is why Constellation Brands, which is a global beer, wine, and spirits giant, bet so big on Canopy Growth. The company has spent more than a year developing cannabis-infused beverages and has the distribution network in place to get the new products in front of a wide audience of potential customers.

## Should you buy?

Canopy Growth's share price is up more than $5 per share in the past week from $31.46 to $36.50.

Part of the uptick could be connected to a broad-based bounce in the equity markets, and a continued sense of optimism combined with new excitement about the edibles launch could see the stock move much higher in the coming weeks.

I wouldn't back up the truck, as the recent pop could be a head fake before a slide to new 12-month lows, but long-term cannabis bulls might want to start nibbling on Canopy Growth at the current level.

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