



Could Canopy Growth (TSX:WEED) Still Hit \$1 Billion in Sales?

Description

This past January, **Canopy Growth's** ([TSX:WEED](#))(NYSE:CGC) biggest investor, **Constellation Brands**, said that they expected the company to [reach \\$1 billion in revenue](#) no later than 2020. Citing the company's fast revenue growth, they believed it was only a matter of time before the company hit the billion-dollar sales club.

However, after posting a series of disappointing quarterly reports, Canopy's sales forecast has shrunk dramatically, with analysts moving the \$1 billion target to 2021. If the company could hit that level two years from now, it would be an impressive feat. However, there are reasons to believe that it won't. To understand why that is, we need to look at Canopy's recent results.

Results in the most recent quarter and fiscal year

In its most recent quarter, Canopy Growth had \$103 million in total revenue and \$90 million in net revenue. For the sake of generosity, let's go with the total revenue for the purposes of this article and say that it was up 296% from the previous year's \$26 million.

That's pretty impressive growth.

Likewise, the most recent fiscal year had \$253 million in revenue, up 228% from the prior year.

These are strong figures. However, another 228% increase on \$253 million only gets us to around \$829 million — a far cry from the \$1 billion sought.

Growth may slow

It would be unreasonable to expect Canopy's year-over-year growth rates to continue forever.

Throughout the 2019 fiscal year, Canopy was reporting quarterly results that included recreational cannabis sales compared to previous quarters where such sales weren't legal. Thus, these quarters

represent the addition of a totally new revenue stream — one that was hotly anticipated and for which there was a ready market.

Obviously, the instant addition of a new, highly popular product category is going to cause a huge revenue boost. So, when Canopy releases earnings this year, it's going to see massively increased sales. However, once legalization is more than a year into the rear-view mirror, Canopy will have to top a previous year's recreational sales. That will be harder to pull off. We're actually currently a year past legalization day, so Canopy's next quarterly report should show how this is playing out.

Likelihood of hitting \$1 billion next year

Overall, I don't think Canopy Growth will hit \$1 billion in the 2020 fiscal year.

At current revenue-growth rates, it'd hit the target in 2021, but as I said previously, there's good reason to think that revenue will soon slow down. The "recreational sales boost" was a one-time gift to marijuana companies — the likes of which probably won't be repeated any time soon. We do have the [legalization of edibles](#) to look forward to, but that market will likely be much smaller than cannabis flower and oils combined.

Of course, there are certain catalysts that could drive revenue orders of magnitude higher yet again. Federal level legalization of cannabis in the U.S. is one obvious contender, as is the opening of a legal weed market in any other large country. However, that would likely see the rise of a home-grown marijuana industry, competing with Canadian producers with home field advantage. So, I'm not really expecting much.

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