



## Is Canopy Growth (TSX:WEED) Stock a Buy After New CEO Appointment?

### Description

Marijuana leader **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) stock rallied over 11% on Monday after the company finally announced new CEO David Klein as the preferred replacement for ousted co-founder Bruce Linton and the stepping down of interim leader and co-founder Mark Zekulin later this month.

The new CEO will assume the reins on January 14 of 2020.

Canopy has clearly decided to source the new leader from inside, as Klein is a current chair of the company's board who was also doubling as the executive vice president and chief financial officer at the company's major institutional investor **Constellation Brands**, which poured in billions into Canopy's cash coffers.

This move could easily be argued to be the final takeover move of the burgeoning industry leader by Constellation, which was evidently none too pleased with the investee's consistently growing losses, which could have led to the termination of founder Bruce Linton) by this installation of its very own numbers man.

It should be noted that Klein will be resigning from all his prior positions, namely his CFO and vice president positions at Constellation and his board chair role at Canopy.

This could be a clear indication of just how much the major investor wants this man to quickly turn around the fortunes of the cannabis stock and stop the bleeding that's hurting the major investor's bottom line too.

Perhaps the alcoholic beverages giant wants the top employee to be laser focused on the numbers.

That said, maybe it wouldn't have been so great for corporate governance if Klein had doubled as both CEO and board chairman at Canopy as such an arrangement concentrates power and key control of both the executive management team and the corporate board leadership in one individual.

A separation of powers could be a noble idea in order to avoid the scenario in which a chief executive

who controls the day- to-day running of the firm doubles as a chair of the board, which oversees the executive team.

The doubling chair and CEO may choose to silence dissenting voices at strategic meetings should there be any conflicts of interests, and investors do pay the costs.

## Is the stock a buy?

After this appointment, a loss-making Canopy is transitioning from a visionary leadership by co-founding entrepreneurs to a more numbers-focused corporate leadership that may strictly control capital expenditures, streamline operating costs and activities with a strong view toward near-term sustainable profitability.

Competitive strategies could quickly change under Klein, and it may be a while before we see the company announce growth-focused expensive acquisitions again.

Ousted former co-CEO Bruce Linton and outgoing CEO Mark Zekulin championed the company's rapid acquisitions-led growth spree over the past six years. Their focus was on growing its global footprint from a mere five-person team based in an abandoned chocolate factory to a global cannabis giant with operations in five continents.

It's time the focus shifted from ego-boosting, albeit thinly spread growth to laser focused profitability optimized marijuana operations — and investors might like the result better.

That said, even if the new CEO from a strong accounting background may emphasize operating cost containment, the company's fortunes depend more on the growth potential inherent in its targeted market, a heavy stance by the [U.S. FDA on cannabinoid CBD sales](#) and a slower than desirable retail infrastructure rollout in Canada may still limit market growth.

## Foolish bottom line

The new leadership change brings fresh hopes for profitability to the leading marijuana firm's investors, and the stock could be a speculative buy today.

However, given the sheer size of its international operations, operating cost containment will prove a significant challenge, and the company will only grow as fast as the overall market expansion allows.

Some factors will still lie beyond the new leader's control.

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