



Why Canopy Growth (TSX:WEED) Stock Is Rallying This Week

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) started the week popping as months of uncertainty over leadership come to an end. The news that **Constellation Brands'** CFO and [chairman of the board](#) David Klein will be stepping up as CEO of Canopy buoyed share prices in the cannabis market leader.

An end to uncertainty?

To say that it's been a rocky five months since co-founder Bruce Linton vacated his post as CEO — leaving Mark Zekulin holding the reins — would be the understatement of the year. Sensing an end to the pain and bullish that a bid might be imminent, investors quickly pushed Canopy stock up 14%.

Cannabis investors have been waiting for good news, hanging on for a [breakthrough in the sector](#). With the prospect of Canopy Growth finally stabilizing under new leadership, the pot stock is looking like legal marijuana's best hope for long-term appreciation.

Although the stock had started falling again by Tuesday, a 10.76% lead persisted by midweek, demonstrating that the move is a profoundly positive one.

However, pundits have pointed to Constellation Brands' level of debt as a possible reason why a bid will not be forthcoming.

At the time of writing, the stock was down again by 5.6%. Other reasons to be bearish on Canopy include that gap in leadership over the critical holiday period, which sees the first real testing of the market with the full gamut of cannabis asset types finally hitting the shelves.

Expect canny new management

Now that Constellation Brands has seized control of the reins, the events of the past year start to make a bit more sense. The idea that a major drinks company would buy a stake in a cannabis producer may have seemed outlandish only a couple years ago, and Constellation Brands has done well to play the

situation by ear, maneuvering into a leadership position without undue risk.

By starting with a controlling stake and progressing to leadership, Constellation Brands has taken a fairly low exposure route to cannabis.

Consider **Altria**'s large Juul stake for an example of how *not* to speculate on a new sector. The comparison is apt, given the crossover of the vaping industry – once that's seen its wings clipped somewhat since the health scare surrounding the craze.

Altria forked over US\$12.8 billion for a 35% slice of Juul last year. The cigarette behemoth recently made public a US\$4.5 billion loss on that investment after a combination of serious health concerns and a raft of regulations has cast a lingering shadow on the outlook for the vaping industry.

The Centre for Disease Control and Prevention (CDC) warns that all 50 states have now reported vape-related lung injuries.

The bottom line

It's been a rough few months for Canopy, to say the least, on the news that Constellation Brands wouldn't pump any more funds into Canopy Growth also taking a bite out of the pot stock's price not so long ago.

However, with the full range of Cannabis 2.0 product types now legal and new leadership on its way, the market leader in cannabis still looks like a strong choice for a long position in this exciting new sector.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

Date

2025/08/25

Date Created

2019/12/11

Author

vhetherington

default watermark

default watermark