After an Epic 73% Fall, Is Canopy (TSX:WEED) Stock a Smart Buy?

Description

Since cannabis legalization on October 17, 2018, the marijuana industry in Canada has lost the trust of many investors. A lot of shareholders held on to their hopes as they waited for the second wave of cannabis legalization dubbed "Cannabis 2.0." The disappointing performance of the legal pot sector has left everybody reeling.

The leader in the marijuana industry, **Canopy Growth** (TSX:WEED)(NYSE:CGC), suffered a lot in that time as well. With a $9.82 billion market capitalization, Canopy is still the largest marijuana company publicly traded on the TSX. A significant drop in its share price has left little to hope for — or has it?

A massive drop in price

Since hitting its 52-week high of $70.98 per share, the company's share prices took a turn for the worse, as it dipped further to $18.23 per share in mid-November, 2019. Investors' faith in the cannabis industry keeps thinning, and Canopy's performance has a significant impact on that moving forward.

Last quarter's results were unflattering for the pot producer. Canopy could not meet analyst expectations, and it pulled back claims that it had made earlier to reach $250 million in revenue by Q4 2019. The net income for the company was $76 million — 25% below its estimated $102 million.

A new hope

After falling by 73% from its 52-week high, the stock looks like it might have something good going for it. Canopy announced on Monday that it had named a new CEO to replace the ousted co-founder Bruce Linton and co-founder Mark Zekulin, who stepped down from his interim position in December 2018.

CEO David Klein will take on his responsibilities on January 14, 2020. He is a significant member of the company. David Klein is currently a chair of the company's board, the executive vice president of the company, and the CFO at **Constellation Brands**. Constellation Brands is the primary institutional investor for Canopy, responsible for providing billions in capital for Canopy.

The appointment of David Klein presents an opportunity for Canopy to take on a more number-focused leader rather than the visionary approach taken by its co-founders. I think a strategy focused on near-term profitability with stricter capital expenses, and streamlining operating costs could be on the cards with this move.

Is Canopy a good buy?

Canopy enjoyed enormous growth over the past six years due to the acquisition-led approach by its co-founders. The leadership wanted to take Canopy from being a five-member company to a giant global entity in the marijuana sector. Profitability suffered due to the approach, and investors prefer results over constant promises.

Trading at $28.17 per share, the stock has rallied by 50% from November 18, 2019. The new leadership brings profitability hopes to the leading pot company. The size of the company will still make it challenging to control operating costs and any further expansion.

While I would not bet all my money on Canopy, I do think it has become a speculative buy.

CATEGORY

1. Cannabis Stocks
2. Dividend Stocks
3. Investing

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. Dividend Stocks
3. Investing

Date
2025/08/26
Date Created
2019/12/17
Author

adamothman