



1 Forgotten Weed Stock Could Make a Mighty Comeback in 2020

Description

The marijuana boom was supposed to happen last year. Many were expecting **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) to lead the advance. All eyes, including that of **Constellation Brands**, were on its founder and erstwhile CEO Bruce Linton.

The American alcoholic beverage giant has a \$4 billion investment, or 38% stake in the world's largest publicly traded cannabis company by market value. With mounting losses after the Q2 2019, the Constellation Brands-controlled board has had enough of Linton's free-spending ways.

Falling out

The board of directors felt a leadership change was in order, and Linton had to go. In spite of his termination in early July 2019, Linton bought WEED shares, saying the change signals the right time to buy.

From \$53.52 on July 3, 2019, the price fell by nearly 65% to \$18.78 in mid-November. The value of the entire cannabis industry also collapsed.

Canopy Growth was without a permanent CEO throughout the period. Also, it was dealing with supply issues and was having problems selling cannabis products abroad. More seriously, the company was losing money at a rapid pace.

Right man for the job

The good news came on December 9, 2019. As soon as the company announced the hiring of a new CEO, the stock rose to \$28.17. Constellation chose a senior executive to take over the helm. It now appears that Canopy Growth is taking the right track in 2020.

Constellations Brand's CFO David Klein is the chosen one. He's leaving his post to take the helm at Canopy Growth effective January 14, 2020. Based on the company's press release, Klein is the right

man for the job.

He brings extensive experience from the consumer-packaged-goods (CPG) and the beverage alcohol industry. He has experienced too operating in highly regulated markets in Canada, Europe, Mexico, and the U.S.

With Klein's strong financial orientation, expect Canopy Growth to depart from Linton's boldness and do more belt-tightening. Some analysts, however, are uneasy about the appointment. Klein is facing an [acid test](#) given that he has zero experience in the cannabis arena.

Right product mix

A significant catalyst for Canopy Growth to stage a major comeback in 2020 is the improving demand trends in the domestic market. Canada's Cannabis 2.0 is a potential \$2.7 billion industry. Consumers can choose from a variety of product mixes in the legal channel, including the popular edibles.

Expect more retail stores to open too. Canopy Growth is opening ten of its Tokyo Smoke dispensaries in the province of Ontario to widen its retail footprint. Another segment in the derivatives where the company would focus on and lead is cannabis-infused beverages.

Right timing

Canopy Growth is hoping the U.S. federal legalization of cannabis would happen this year. The launching of Fire & Free, a line of hemp-derived CBD products, is part of its pre-legalization expansion. If both components in the U.S. progress well, Canopy Growth's sales should rise significantly.

Right direction

While Canopy Growth is one of the [stocks to watch in 2020](#), don't expect instant financial miracles. The catalysts for growth are present, beginning with a new man at the helm. Product margins should improve as cash burn declines. You can decide to buy the stock once the red flags go down.

CATEGORY

1. Cannabis Stocks
2. Investing

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