Canopy Growth (TSX:WEED) Stock Price: Should You Buy the Bounce?

Description

Marijuana stocks have picked up a new tailwind in recent days, and investors are wondering if this could be the start of another big rally for share prices of the cannabis producers.

Cannabis 2.0

Canopy Growth (TSX:WEED)(NYSE:CGC) is a leader in the Canadian and global marijuana industry.

The stock has traded as high as $70 per share in the past year, but had a rough run through the second half of 2019 and dropped below $20 in November.

Since then, the share price has drifted higher and a 20% jump over the past week now has the stock back at $32 at writing.

The latest surge might be connected to new optimism on the launch of the edibles market in Canada. Online sales in Ontario went live in recent days, and early reports indicate strong demand for the products being offered.

The marijuana producers are hoping the new segment will live up to expectations and help drive revenue growth.

Cannabis-infused drinks are one part of the expanded offerings, and pundits believe they could be a big hit. Canopy Growth is perceived as being one of the companies that should capture a large chunk of the new market because of its relationship with **Constellation Brands**.

The U.S.-based beer, wine, and spirits giant owns a 38% stake in Canopy Growth and is working with the pot producer to develop and market cannabis-infused beverages. Canopy Growth is also eyeing the sports drink market through its 2019 purchase of BioSteel Sports Nutrition.

Unfortunately, consumers are going to have to wait a bit longer before they get a chance to sample Canopy Growth's new drinks.

Why?

The company announced January 17 that it is delaying the launch of its cannabis-infused beverages. Canopy Growth needs more time to complete its bottling facility for commercial production. Earlier guidance from the company indicated it would be ready to have product available for consumers in January 2020.

Compared to its competitors, Canopy Growth is behind on its cannabis 2.0 offerings. The company had only two chocolate products available at the start of the edibles sales cycle and hasn't launched a vaping product.

The delay on vapes is understandable,given the reports of health concerns in the United States connected to the products. Missing the launch date on cannabis-infused drinks, however, won't help Canopy Growth's image in the eyes of investors in the near term.

The market is already being more cautious around the entire cannabis sector after the steep losses that occurred last year. Canopy Growth's revenue growth stalled out while expenses continued to soar, which led to the replacement of the company's founder and CEO, Bruce Linton.

Constellation Brands eventually named its CFO as the new CEO of the company, so it would make sense that Canopy Growth is taking its time to make sure it gets the drinks offerings correct.

Should you buy?

The share price hasn't reacted negatively to news of the delayed launch of the drinks products, which means that investors are relieved the company is making sure it has the best product possible before it hits retailers' shelves.

Ongoing volatility should be expected in the stock, but investors with a bullish view on the long-term prospects of the cannabis market might want to start nibbling on Canopy Growth.

Constellation Brands paid more than $48 per share in 2018, and the company is keen to make sure it gets a good return on the investment.

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Date
2025/08/24
Date Created
2020/01/17
Author
aswalker