Here’s Why Now Is a Good Time to Get Greedy With Canopy Growth (TSX:WEED) Stock!

Description

The cannabis trade dried up a long time ago. But that’s exactly why I think **Canopy Growth** (TSX:WEED)(NYSE:CGC), Canada’s top cannabis kingpin and the “safest” way to play the stomach-churning industry, is now worthy of your investment dollars. To make big money as an investor, you’ve got to be like Warren Buffett and be greedy while others are fearful (and vice versa!) and the rules still apply to the crazy, fast-moving world of marijuana!

Cannabis crashes (or corrections) are nothing new. If you sold on the last few meltdowns in Canopy, you lost out on a sharp rebound and multi-bagger gains that followed. While the recent sell-off is more violent, with Canopy and **Aurora Cannabis** stock plunging over 70% and 85%, respectively, from peak to trough, I think that in the grander scheme of things that the current downfall will be dwarfed by upward moves over the next decade and beyond.

While it’s impossible to tell if we’re near a bottom, Canopy’s latest results were encouraging — a sign that there’s still life (and opportunity) within the pot space, which most have already given up on.

Canopy soars on better-than-feared third-quarter numbers

Last week, Canopy pulled the curtain on results that weren’t as bad as what many were expecting, given the company has been making a habit of missing the mark with wider-than-expected losses. The stock popped 16% in a single trading session and could mark the start of a sustained rally back to all-time highs.

The third quarter was supposed to be the eighth consecutive miss, marking two straight years of quarterly misses, but Canopy pulled off the unthinkable with EPS losses of $0.35, beating the consensus estimate of an EPS loss of $0.49.

While the battle with the black market wages on in what I see as an eventual race to the bottom, Canopy still managed to grow net revenues by 62% quarter over quarter. That’s still incredible growth in an industry that I think still has plenty of gas left in the tank. With Canopy Growth stock currently trading at 1.9 times book and 26.3 times sales, I see the budding producer as a bargain compared to most other hyper-growth stocks out there with P/S multiples north of 40.

Gross margins crept higher thanks in part to higher-margin consumer product sales. And with more high-margin products (like edibles) that could prop margins up further as they become more widely available, I wouldn’t rule out continued margin expansion, even as the broader industry looks to sacrifice margins to gain business lost to the black market.

Management also expects to see gross margins jump to 40% over the near term, as a result of the “Cannabis 2.0” tailwind and inventory management initiatives to prevent future markdowns.

Profitability may seem like a pipe dream for Canopy, but I think it’s on the right track to sustainably moving into the green within five years. Management learned from its past mistakes and could evolve to become a leader in the space with **Constellation Brands** as its dance partner.

Further volatility is undoubtedly expected from Canopy (and the industry) moving forward, but if you’re able to buy and forget the roller-coaster ride of a stock, now may be an opportune time while shares remain cheap and out of the radar of the momentum-chasing speculators who’ve since moved on to greener pastures.

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