



Canopy Growth (TSX:WEED) Stock: Is the End Near?

Description

If there's one industry that has been incredibly frustrating for investors of late, it's the [cannabis industry](#). **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) in particular used to be the darling of the industry, but that has all changed. WEED stock plummeted from all-time highs back in October 2018 after legalization. Since then, WEED stock has struggled to get anywhere near those highs again.

Then, the market crash. If there's one stock that's going to be dropped like a hot stone it's going to be cannabis stocks. The industry is still quite risky because it's so new. It's unclear what companies like Canopy Growth will do to rebound after such a devastation to the company finances. So, does that mean a company once so mighty could in fact fall to rock bottom? If so, what should you do as an investor?

Canopy Growth

Canopy Growth was once the mega giant of cannabis stocks. WEED stock skyrocketed a whopping 9,364% from its initial public offering (IPO) to its highest share price. The cannabis company originally focused on selling medical cannabis in Canada, but since then it has expanded to recreational sales after legalization. Medical marijuana now accounts for 70% of the company's gross sales.

Things were going well for Canopy Growth, but after legalization, things went downhill fast. Add to that the market crash, and WEED stock has fallen 70% from peak to trough in the last year. Investors were already impatient with the company, wondering when all the reinvestment into infrastructure and research and development was going to show up as profit. With a market crash, things have only gotten worse.

Most recently, Canopy Growth announced [significant cuts](#) that sent the stock down even further. The company had already slashed its workforce and took multi-million-dollar writedowns. Now, a month later, Canopy Growth said it would be laying off a further 85 full-time employees, closing some facilities, and putting a hold on operations in a number of countries around the world.

"I believe the changes outlined today are an important step in our continuing efforts to focus the

company's priorities and will result in a healthier, stronger organization that will continue to be an innovator and leader in this industry," said David Klein, Canopy Growth's chief executive officer.

WEED stock's future

There was a lot of initial excitement around WEED stock, but that has now been set on the back burner in today's market. The hope was that countries around the world would soon legalize marijuana, and Canopy Growth would be there when those countries decided to make the step. The biggest fish Canopy Growth wanted to catch: the United States. The company made a huge investment in **Acreage Holdings** back in April 2019, counting on legalization to occur sometime soon.

Now, today's pandemic has put any hopes for legalization far in the distance. The global expansion the company planned for looks like it is years away. Even medicinal marijuana, which analysts believe should continue to make up 20% of the company's earnings, has been cut back due to the company's need to cut costs.

Then there's the black market. We'd love to believe cannabis became legal, and everyone turned to buying it through government channels. That's unfortunately not the case. Until consumers start going to cannabis through the appropriate channels and turning away from black market pot, Canopy Growth will have an uphill battle that could last years.

Any hope?

Canopy Growth has had to cut costs, sure, but there is one area where the company has set itself up for future gains. That's expansion into the emerging markets of Lesotho and Colombia. These areas will significantly reduce the cost to produce cannabis, as compared to Canadian production. This should help the company meet the global medical demand, and lower its cost production to something closer its peers.

Plus, **Constellation Brands** is an excellent partner to have. If any company is going to come out of this downturn alive, it's going to be Canopy Growth with the 37% support of this partner. Worst case, Constellation Brands might even acquire Canopy Growth to own it outright, and that could see a significant boost in WEED stock. This could mean now is a great price for WEED stock, but you might want to wait a bit longer before making a large investment.

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