



## Canopy Growth (TSX:WEED) Stock: \$0 or \$100?

### Description

Industries across the board continue to suffer thanks to the COVID-19 pandemic. It seems no industry immune to the financial devastation it can cause, including the cannabis industry. Despite the increase in demand and sales of cannabis while people stay home, that hasn't fixed the problem cannabis suppliers like **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) continue to have: a means of supplying that demand.

With COVID-19 came the closure of many of these production facilities. Cannabis companies have had to shut down these facilities and make huge layoffs — and Canopy Growth hasn't been immune. The company recently let go of about 200 employees, yet the losses keep coming.

Canopy Growth announced in its earnings report last month a whopping \$1.3 billion net loss due to impairment and restructuring-related charges that came in at \$743 million.

### Canopy Growth: what's next?

Canopy Growth already had a hard time even before the pandemic. Cannabis producers hit hard times because of the huge demand and lack of supply. Back in 2018, it appeared that cannabis producers could do no wrong. That is, until legalization when almost every pot stock plummeted.

Even after a brief hike back in April of 2019, the company's share price as sunk to lows not seen since 2017. As of writing, shares are down about 60% from 52-week highs.

But things could change. First off, there is the company's presence in the United States. While this created huge upfront costs that put some big pressure on the company to perform, it should be worth it in the long term.

Canopy Growth has set up in multiple states in the U.S. That means once legalization happens, the cannabis producer will be ready to both produce and sell marijuana across the nation. A nation that will likely become the biggest consumer of cannabis in the world.

This issue has already hit the big stage. Presidential nominee and former Vice President Joe Biden has already said he would decriminalize marijuana, but it'll likely become bigger than that. Most Americans support the legalization of marijuana, so once the carefulness of the election passes, marijuana could be legalized in the United States should Biden be elected.

Meanwhile, even with shares down, the company's U.S. partner **Constellation Brands** has doubled down on Canopy Growth. The Corona beers company started with a 9.9% ownership back in 2017, invested US\$4 billion back in 2018, but as of May 1 upped that ownership to 38.6% in the cannabis company.

## Will it tank?

There is a new CEO at Canopy Growth today, and with it a [new focus](#) on cost cutting. The expansion phase may not be over, but it's been severely cut back as the cannabis producer focuses on profitability. The 200 layoffs were just on top of a former 85 and a further 500 the company recently made.

Upping the stake in this company means that there is confidence Canopy Growth can get things done. Now that the company has cut costs, hopefully that means it comes through soon on profitability.

And while the company may have been reporting bad news in the last few months — with layoffs and earnings reports — more recently there's been some positive movement.

As of writing, the company's growth is actually outpacing the market. The stock is up 9% in the last week, compared to 4% in the **S&P/TSX Composite**. This could be due to the company's ability to reopen its Tokyo Smoke and Tweed stores, along with the launch of its Deep Space cannabis beverage. Hopefully, this is only the beginning of more positive news from the company.

## Bottom line

If there's [one cannabis company](#) that's going to make it in this industry it will be Canopy Growth. The company may have huge debts, but those debts are still backed by Constellation. That means there is likely going to be some big news coming down the pipe, with Canopy convincing its investors that profitability should happen sooner as opposed to later.

It also means these cuts could be permanent, and investors should see shares continue to rise. Slowly, but rise all the same.

So is \$100 in the future? I think yes. Maybe not this year, or even next, but once profitability happens it's likely there won't be anything stopping Canopy Growth's success.

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