



\$1,000 Invested in Canopy Growth (TSX:WEED) Stock Would Be Worth This Much Today

Description

Shares of **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) have gained over 24% year-to-date. This means a \$1,000 investment in the pot giant at the start of 2020 would be worth \$1,240 today. Canopy Growth stock has managed to make a comeback this year after it lost over 30% in 2019.

Canopy Growth has a 15% market share in Canada's cannabis market

Canopy Growth is one of the largest cannabis companies in the world and has a 15.5% share of the Canadian cannabis market. Similar to most other pot stocks, however, Canopy is unable to consistently post a positive net income.

While cannabis companies are part of a high-growth industry, they need to invest heavily in capital expenditure to set up cultivation facilities, manufacturing operations, and a robust supply chain network.

So, falling profits is a matter of grave concern as pot producers need to raise money constantly to scale operations and support their cash burn which dilutes shareholder wealth significantly.

In its most recent quarter, Canopy Growth's net revenue was up 77% year-over-year to \$135.3 million due to the strong performance of its high margin products that include cannabis oils and distillates. Further, its focus on cost savings and closing down production facilities helped it reduce operating expenses by 19% year-over-year, allowing it to increase EBITDA by 43% year-over-year.

Despite its stellar performance, Canopy Growth [reported a loss of](#) \$85.7 million in the September quarter. These losses were attributed to changes in fair value adjustments of Canopy's financial assets. Canopy continues to lose money despite growth in the top-line and an improving EBITDA margin.

Its free cash flow numbers are also in the red, which means it needs to turn profitable to remain a solid

long-term bet for investors.

What next for investors?

Canopy has a leading position in Germany's medical marijuana market and owns 54% of Canada's cannabis beverage segment as well. Beverage giant **Constellation Brands** [owns 38.6% of Canopy](#), which will help it gain traction in a rapidly addressable market.

Canopy Growth has shipped 1.2 million cannabis beverages since late March and has five ready to drink THC-based products. According to industry analysts, the Cannabis 2.0 market is valued at \$2 billion on an annual basis and beverages are estimated to account for 25% of this market.

Canopy's Global Head of Beverages, Andrew Rapsey said, "We're very bullish on the drinks category, not only in Canada, but also in the U.S. I think we feel like we've found a proposition and a way forward that will grow our brands as well as grow the category."

Due to the Constellation Brands investment, Canopy ended the September quarter with \$1.7 billion in cash which indicates it has enough room to improve profitability over time.

The stock is valued at a market cap of \$12.6 billion indicating a forward price to sales multiple of 22.5. Analysts expect sales to rise by 40.4% to \$560 million in fiscal 2021 and by 41.5% to \$792 million in 2022.

Comparatively, its loss per share is forecast to narrow from \$1.61 per share to \$0.8 per share in this period.

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