Canopy (TSX:WEED) Stock Is up an Insane 37.2% Already in 2021

Description

Industry leader **Canopy Growth** (TSX:WEED)(NYSE:CGC) squeezed in a 14.7% total return in 2020, despite a rampaging pandemic. Somehow, the weed stock atoned for its 15.9% loss the year before. However, 2021 could be a different story for cannabis producers and the marijuana sector in general.

As of January 22, 2021, WEED trades at $42.97 per share or a year-to-date gain of 37.2%. Pot stocks, including Canopy Growth, are back in the watch lists of investors. The Democrats have gained control of both houses of Congress in the U.S., which brings marijuana closer to federal legalization.

Canadian pot growers are following the developments intently, because it's all they need to enter the U.S. market. You know that things are looking up, too, with beverage company **Constellation Brands** sinking in $200 million more, through warrants, in Canopy Growth in 2020.

Improving revenues

For the fiscal year 2020 (year ended March 31, 2020), a 76% increase in net revenue versus the fiscal year 2019. Fast forward to Q2 fiscal 2021 (quarter ended September 30, 2020), and Canopy Growth posted a record quarterly revenue of $135 million. CEO David Klein attributes the impressive results to the renewed strategy of winning consumer mind share, increased agility, and execution.

Klein adds that Canopy Growth is positioned for continued growth, as the company continues to establish a strong leadership position. For the first half of fiscal 2021, the company showcased a vast portfolio of differentiated brands and products. It includes industry-leading cannabis-infused beverages.

Canopy's CFO Mike Lee highlights the marked improvement in operating expense. The company is also re-directing its marketing and R&D investments to drive sales. Likewise, management's end-to-end review was able to identify cost-savings opportunities to the tune of 150 to $200 million. The near-term goal is to accelerate the path to profitability, particularly in Canopy's largest market, which is Canada.

Larger U.S. market

Canadian and American cannabis companies are hopeful that the Democrat-controlled Congress will pass legislation that would legalize cannabis federally in the United States. Klein expects Canopy Growth to enter and operate in the U.S. in about a year. The market across the border is nine times the size of the market in Canada.

He anticipates seeing a combination of SAFE Banking, a revised Cole memorandum, and reclassification by the executive branch in the next six to eight months. Currently, stock exchange operator **TMX Group** prohibits Canopy Growth and other Canadian producers from doing business in areas where cannabis is federally illegal.

Competitive advantages

Some analysts give Canopy an advantage over its Canadian counterparts. The company holds warrants to acquire multi-state operator Acreage Holdings no later than 60 days after the federal legalization of cannabis. Furthermore, Canopy will have a distribution framework in the U.S. due to its partnership with Constellation Brands.

Meanwhile, more industry players are gearing to operate in the United States. The merger of **Aphria** and **Tilray** will see the birth of a cannabis powerhouse in North America. American counterparts will likewise capitalize on the legal changes. Analysts are speculating again that the marijuana industry will triple in five years.

A trendy sector with risks

Don't invest in marijuana stocks only because the sector is trending. Evaluate the companies first to see the strong points and growth potentials. You don't want another bust like the 2019 cannabis crash.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date
2025/08/23
Date Created
2021/01/28
Author
cliew

Footer Tagline

Footer Tagline