The World's Top Cannabis Stock Provides Significant Appeal to Value Investors

Description

Canopy Growth ([TSX:WEED](...))(NYSE:CGC) owns a Canadian medical business, which operates as an [e-commerce channel](...). Canopy Growth's international medical business operates primarily as a pharmacy model, with pharmacies being deemed essential businesses in Germany and other European countries in which the company conducts business while following applicable international and domestic legislation, regulations, and permits.

No material adverse impact of COVID-19

The COVID-19 pandemic, including government measures to limit the spread of COVID-19, did not appear to have a material adverse impact on Canopy Growth's results of operations in the first quarter of fiscal 2022. However, there appears to be several uncertainties associated with the COVID-19 pandemic for Canopy Growth's business model.

Potential uncertainties due to COVID-19

Uncertainties include those related to the distribution and acceptance of the vaccines and the effectiveness of the vaccines with respect to new variants of the virus. This could have an impact on the use of Canopy Growth's products by consumers. Disruptions to the global and local economies due to related stay-at-home orders, quarantine policies, and restrictions on travel, trade, and business operations, and a reduction in discretionary consumer spending also has an [impact on Canopy Growth's business](...).

Significant ability to absorb any impacts and continue on a high-growth trajectory

Overall, the impact of the COVID-19 pandemic on Canopy Growth's business, financial condition, results of operations, and cash flows appears quite uncertain at this stage. However, Canopy Growth

should easily be able to absorb any impacts and continue on its high-growth trajectory.

Maintaining full operations and internal controls

In addition, since Canopy Growth's non-production workforce continues to effectively work remotely using various technology tools, the company has been able to maintain full operations and internal controls over financial reporting and disclosures.

Solid balance sheet and excellent financial condition

Also, Canopy Growth has a solid balance sheet and is in excellent financial shape. Canopy Growth has sufficient liquidity available from cash and cash equivalents and short-term investments on hand of $560 million and $1.5 billion, respectively, at June 30, 2021, and from available capacity under the company's revolving debt facility.

Significant ability to meet working capital and other operating requirements

This enables Canopy Growth to meet working capital and other operating requirements, fund growth initiatives and capital expenditures, settle the company's liabilities, and repay scheduled principal and interest payments on debt for at least the next 12 months.

Growth by acquisition

Recently, Canopy Growth implemented a plan of arrangement with Acreage Holdings, a United States multi-state cannabis operator. Canopy Growth agreed to acquire approximately 70% of the issued and outstanding shares of Acreage and obtained the right to acquire the other 30% of Acreage.

Pathway into lucrative cannabis markets

This was an excellent move by Canopy Growth. The acquisition of Acreage should provide it a pathway into the lucrative cannabis markets in the United States. However, Canopy Growth and Acreage plan to continue to operate as independent companies until the acquisition of Acreage is completed. Additionally, Canopy Growth has built a hemp supply chain in the United States, which provides it with further growth opportunities.

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