



Here's How Much Canopy Growth Stock (TSX:WEED) Will Get on U.S. Legalization

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) continues to be on a wild ride that many investors have decided they want to get off. The company traded around \$70 per share just a year ago, and yet today those shares have absolutely collapsed. At \$16.38 as of writing, those all-time highs are now down by 77%.

Much of this comes from the collapse of cannabis in general, but it's a bit worse for Canopy Growth stock. The company was on an acquisition spree before the pandemic. Now, it looks to be revving its engines [once more](#). So let's take a look at what Canopy Growth stock *really* hopes to accomplish with legalization in the United States.

Profitable moves

The issue before the pandemic was making a profit, which remains true today. However, Canopy Growth stock has made several moves in the past year toward this goal. The company kicked out founder and chief executive officer Bruce Linton back in 2019, with David Klein taking the reigns back in January 2020.

Luckily, much of the restructuring actually happened before the pandemic. Basically, Linton had tried to move too big, too fast. Significant losses came down as the company tried to expand its greenhouses to an unsupportable level. Combined with slow sales, it created a poor position for the Canopy Growth stock.

During the pandemic, production and acquisitions came to a standstill. Even with major partnerships with **Constellation Brands**, the company had to let hundreds of employees go.

But now, things are changing. It looks like Klein believes Canopy Growth stock can expand once more. So let's see what exactly he has in mind.

U.S. expansion

To be clear, Canopy Growth stock is a Canadian company and also has overseas expansion. But the big one can't be denied to be U.S. expansion. The U.S. market will be the largest consumer of cannabis in the world upon federal legalization. And don't be fooled. That will eventually come. The real question is *when*?

But, if you're a long-term holder, that answer shouldn't bother you all that much. Instead, you want to invest in the company that could stand to make the most. So, is that Canopy Growth stock?

Canopy Growth stock has made a laundry list of acquisitions in the past few years set to come online upon legalization. In statement after statement, it says upon legalization the company will purchase 100% of shares in company after company.

This includes **Acreage Holdings** for US\$3.4 billion, a recent deal with Wana Brands for US\$297.5 million announced last week, and **Supreme Cannabis** earlier this year at \$435 million.

If investors looked back (don't worry, I did it for you), the company will spend *at least* \$6 billion should all of its United States expansion plans come to fruition. This includes acquisitions, and also strategic investments in the hemp field to help the expansion.

However, this number does not include everything. Some releases didn't actually state the purchase price. So it's unclear how much the company is spending.

How much does it have on hand?

During its latest earnings report, Canopy Growth stock announced 23% year-over-year revenue growth. That number? \$136.2 *million* for the quarter — not even a fraction of its future investment. Net income was a loss of \$390 million, with adjusted EBITDA at a loss of \$63.6 million.

Numbers are improving, but until legalization happens, they will continue to not improve by much. Despite having the number one market share in Canada, that's peanuts compared to the United States. And Canopy Growth stock knows that.

The company maintains that achieving profitability is its top priority. And granted, its partnership with Constellation certainly helps these investments. The company's cash and short-term investments sit at \$2.1 billion during the last quarter. So the company does have some cash on hand to help pay down this eventual debt load.

So if you're invested in Canopy Growth stock (as I am, you'll notice), you're in it for the [long haul](#). But if you're looking to buy, I'd hold off until some light appears through the smoke.

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