



Biden's Pot Pardon: Where Will Canopy Growth Be in 5 Years?

Description

Canopy Growth ([TSX:WEED](#)) may have been the most hyped [cannabis producer](#) in Canada ahead of recreational legalization in October 2018. This company appeared to be one of the most prepared on the domestic front. More exciting was its move to establish a footprint in the United States in anticipation of future federal legalization. Today, I want to touch on these topics and recent moves by U.S. president Joe Biden. Do Biden's recent moves suggest that a brighter future is on the horizon for Canopy Growth and its peers? Let's jump in.

What does Joe Biden's cannabis pardon mean for the U.S. industry?

Joe Biden did not illicit much optimism among the pro-cannabis crowd when he came into the Democratic nomination. Historically, Biden has been opposed to federal cannabis legalization. However, ever the pragmatist, Biden began to shift his position ahead of his election against Trump and he has moved further to the pro-cannabis side while in office.

In early October, President Biden made waves with his decision to pardon citizens who had been convicted of federal crimes of possessing cannabis. That will clear the record of over 6,000 individuals who have previously been convicted. Biden also directed the Departments of Justice and Health and Human Services to review how the federal government classifies cannabis under federal drug laws.

President Biden has shown a propensity to make bold, sweeping, and largely popular decisions. Moreover, a strong push for legalization could be a part of his party's midterm and eventual presidential re-election strategy. This could be huge news for Canopy Growth and other top producers.

How did Canopy Growth and its peers react to the news?

Shares of Canopy Growth surged in early October in response to the Biden pot pardon. However, that momentum swing was short lived, and the stock has crashed back down to earth in the middle of this

month. The stock has [dropped 68%](#) so far in 2022. Investors can look at its performance in the chart below.

Horizons Marijuana Life Sciences ETF (TSX:HMMJ), which [tracks the performance](#) of major cannabis stocks, also spiked in response to the news. The ETF is down 4.9% over the past month.

On the policy front, many experts offered praise at Biden's bold maneuver. It showed a decisiveness that some experts, like Samantha McAleese at Carleton University, said avoided the "lengthy application or red tape" that Canadian policymakers have pursued.

Should investors be excited about the company's future?

Investors can expect to see Canopy's next batch of earnings in early November. In the first quarter of fiscal 2023, the company said that earnings were flat compared to the fourth quarter of fiscal 2022. However, it has maintained its top market share in the combined premium flower and pre-rolled joint segment.

Canopy Growth leadership said that it expects costs savings to improve dramatically in the second half of this fiscal year. That will accelerate its path to profitability. Meanwhile, its U.S. THC ecosystem has strengthened nicely. Acreage Holdings delivered revenue growth of 48% and delivered its fifth straight quarter of positive EBITDA.

This top Canadian producer has put itself in a great position to win big in the event of U.S. legalization. If that occurs over the next five years, it should be transformative for Canopy Growth's bottom line.

Canopy Growth: Is the stock a long-term hold?

Canada's execution on recreational cannabis use has been frustrating. However, Canopy Growth is still creeping towards profitability. If Biden's pro-cannabis push leads to federal legalization, Canopy Growth is going to be in a fantastic position. For that reason, I'm willing to stomach the near-term volatility that has plagued this top cannabis stock.

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1. Cannabis Stocks
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2. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
3. TSX:WEED (Canopy Growth)

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