



Canopy Growth Stock: Is Now a Good Time to Invest?

Description

It's been quite a ride for **Canopy Growth Corp.** ([TSX:WEED](#)) stock since it went public back in 2014. So full of hope and optimism, it quickly proceeded into bubble territory and then just as quickly, it burst and came crashing down.

Is it finally a good time to invest in Canopy Growth stock now that it's fallen to a mere \$3.30 per share?

Canopy Growth (WEED) stock: A volatile ride

One thing I can say for sure – now is a much better time to invest in Canopy Growth stock than ever before. Certainly, it's a much better time than at the height of the cannabis bubble. Back then, the uncertainties were insurmountable. This whole market was not tested, and expectations and optimism were high. As a result, money was being thrown at cannabis stocks like WEED. It seemed like this stock could do no wrong in the eyes of investors. The result was loads of wasted money, a lack of prudence, and sadly, big shareholder losses.

Today, things are different. Investors are now very wary of cannabis stocks. The stocks themselves have taken an epic nosedive. And capital is hard to come by. This means that these companies must have a sensible business plan which must include strong management of their finances. It must also include a focus on profitability. Revenue growth without it will no longer cut it in the eyes of shareholders.

And in my mind, this is the way it should be. If a business can't turn a profit, then is it really even a business? Sure, some time spent incurring losses is something that might be needed to grow a business. But the key is that there has to be a sensible plan behind it. And a market that's well understood.

A long road ahead for Canopy Growth

Back when cannabis stocks were high-flying stocks that everyone wanted a piece of, I [likened investing in them to gambling](#)

. In fact, that is what it was, as the industry was just starting out and fraught with risk and uncertainties.

Today, years later, we know a few things. And even though they are not necessarily what we want to hear, knowing is power. Firstly, we know for sure that the illicit (illegal) cannabis market is still thriving today. In fact, it continues to hold an estimated 40% market share despite legalization. The playing field has not been fair, so naturally, the illicit market is able to sell at lower price points than the legal market, which must pay taxes and abide by the regulatory environment. This drives up costs for the legal sellers. Thus, they must charge higher prices, effectively eliminating their ability to compete. This problem is so pronounced that it's placed the sustainability of the legal market into question.

Despite this, Canada remains a large market, and if Canopy Growth plays its cards right, there is a future for it. Many challenges lie ahead, but here are some glimmers of hope that we might see a turnaround at Canopy Growth in the medium term.

Diversification – BioSteel and S&B premium vape offerings

Canopy Growth's focus is on being a premium brand-focused cannabis company and a [consumer packaged goods company](#). To this end, many new products have been launched in 2022. For example, BioSteel is a sports hydration drink that Canopy is aiming to grow. In fact, revenue of this brand has more than doubled so far in 2023.

Another product that's doing well for Canopy is its Storz & Bickel (S&B) vape products, with revenue up 50% sequentially in the last quarter.

Focus on profitability and sustainability

It's clear that Canopy Growth's management would like to create a real business out of what they have. To this end, they have embarked on a renewed focus and diversification plan. Importantly, they've also embarked on a mission to find profitability and sustainability for this business. It's a huge task, to be sure, but one that I think can be successful.

For the Government of Canada, the focus is on "harm reduction". Therefore, regulatory policies are tailored to meet this objective.

The future is murky at best.

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