



Canopy Growth Size Calls Accumulate

Ticker/Price: CGC (\$52)

Analysis:

Canopy Growth (CGC) on a strong three-week run and yesterday saw 10,000 October \$52.50 calls bought for \$7M in premium, sizable buy. CGC has recently seen buyers of the June \$55 calls and January \$50 calls for sizable premiums as well, \$2M and \$3M respectively. The July \$55 calls remain in OI over 10,000X from buyers in January. Shares are nearing the highs from September/October with a breakout targeting \$60 in the near-term and longer-term run out to \$75. MACD crossed over bullish on the weekly recently and a lot of room to the upside while RSI is not yet overbought. The daily timeframe is showing some signs of exhaustion which could consolidate. The \$12B company expects revenue growth of 186.9% in FY19, 237.4% in FY20, and 72.1% in FY21 as they cross \$1B. The company engages in the growing and sale of marijuana in Canada through products like dried cannabis, oils and concentrates, softgels, and hemp. They have commercial scale operations with a 4.3M square foot expansion underway. CGC has partnerships in healthcare as well with medical research programs underway. CGC is a leader in the Canadian market with 30% share of SKUs nationwide and has the size and scale to drive growth in the \$500B market opportunity. They made a big deal recently which will set them up well for US distribution. On 4/18, they announced the right to acquire 100% of the shares of Acreage Holdings, a company based in 20 US states, for \$3.4B post US legalizing cannabis federally. The deal allows CGC to start building their brand in the US. Analysts have an average target for shares of \$65 with 7 buy ratings and 3 hold ratings. BAML starting at Buy recently, “one of the few truly global cannabis plays, with scale in the home Canadian market (can be leveraged for international exports), the strongest balance sheet in the sector (at C\$4bil in cash on hand, roughly 40% more than our coverage group combined), and a strong partner in Constellation Brands (STZ) which helps with a broad range of capabilities, from distribution to consumer insights.” Institutional ownership fell 45% last quarter. Short interest is high, 35%.

Hawk Vision:



Trading Strategy: CGC is extended near-term and nearly took calls on the basing action, so prefer for that kind of set-up to re-emerge.

Confidence Ranking: \$\$