

## Canopy Growth Corp.: Are the Latest Acquisitions a Reason to Buy?

### Description

**Canopy Growth Corp.** (TSX:CGC) is Canada's leading supplier of medical marijuana.

The company continues to expand its operations inside the country and is broadening its reach to other markets, including Germany and Brazil.

Canopy just announced a definitive agreement to purchase **Mettrum Health Corp.** for \$430 million. The acquisition adds two new brands to Canopy's stable and will boost the company's production capacity to 665,000 square feet across six production facilities.

The two companies control almost half of Canada's current medical marijuana market, so the successful acquisition would put Canopy firmly in the driver's seat as the leader of the medical marijuana space.

Canopy also recently announced the acquisition of a German distributor and is making progress on its joint venture in Brazil.

The deals show how fast management is moving on building a strong foundation for the business. CEO Bruce Linton has said production capacity and brand diversity are his top priorities, and it looks like he is sticking to the plan.

Expansion through acquisitions has been made possible by the skyrocketing stock price. Canopy has tapped the market for funds by issuing new shares and is negotiating deals on an all-stock basis.

The Mettrum deal is an all-stock offer that comes in at a 42% premium.

Canopy has another interesting agreement in place to ensure its production capacity will grow as needed. The company has partnered with real estate specialist, the Goldman Group, to secure new production facilities.

Goldman will build the facilities to Canopy's specifications and lease them back to Canopy.

Overall, things are moving in the right direction, and Canopy is getting closer to cementing itself as the international go-to supplier for quality medical marijuana.

### Should you buy?

Canopy is definitely a name to own if you want to have exposure to the cannabis sector, but the stock is insanely overpriced based on medical-marijuana prospects.

At the time of writing, Canopy has a market capitalization of \$1.5 billion. That's just too rich for a business with quarterly revenue of just \$8.5 million and no profits.

Growth story or not, the price is simply out of control.

Investors who buy today are hoping for big gains from the creation of a legal recreational market in Canada. At this point, making that bet is very risky, so I would avoid the stock at the current price.

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