



## Canopy Growth Corp.: Will We See Further Growth in 2017?

### Description

Every once and a while, a true gem emerges in the market. Whether it's an innovative new product, a technological or medical breakthrough, or even a merger of equals, these gems offer investors lucrative returns and become almost legendary.

Last year, **Canopy Growth Corp.** (TSX:CGC) was on track to join that elite club as the small Smith Falls-based company with a market cap of over \$2 billion and revenue of just \$8.5 million ignited a fire in a new and potentially lucrative segment of the market.

While more conservative investors may see 2016 as an anomaly and dismiss significant growth, analysts agree for the most part that Canopy represents a unique position in the market for a host of reasons.

### Market potential

Sentiment around legalized marijuana is changing around the world. Over the past year, we've seen many parts of the world put legislation into effect that allows cannabis for medicinal purposes, including in the U.S. general election this past fall in which several states included a legalization motion on the ballot. Over half of U.S. states now allow medical marijuana, and more than half a dozen states have adopted (or will shortly) recreational marijuana laws for residents over the age of 21.

As more markets open to the possibility of legalized marijuana, the potential market cap continues to grow. Some experts now peg that market size will balloon to US\$50 billion over the next decade with double-digit growth every year until then. Here in Canada, those growth figures are even more staggering with one in six Canadians estimated to consume legal marijuana annually over the next few years.

### Growing momentum

One of the factors that helped propel Canopy's meteoric rise last year was a series of masterstroke deals that helped the company gain both international exposure as well as strengthen Canopy's position here at home.

Specifically, the acquisition of German distributor Medcann opened Canopy to the German market well ahead of the competition, and the acquisition of Toronto-based Mettrum Health Corp. that followed directly thereafter was a turning point for Canopy.

The Medcann deal is primarily an offensive one for growth, whereas the Mettrum deal can be seen more as a defensive one to rein in costs and eliminate a competitor. In any respect, Canopy now has an international outlet and will have possession of two health Canada growth licenses through the Mettrum deal.

### **Is Canopy a good investment?**

Some experts view investing in the marijuana market at this point to be like investing in alcoholic beverages shortly before the end of Prohibition. The market is there, the demand is there, and the supply is steadily growing (pun intended). All that is needed is for legislators around the world to enact the laws to make it legal.

Canopy is strategically situated to be on the forefront of this emerging industry. While there could be a few surges and drops in the coming months, over the long term, Canopy remains an interesting investment option.

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