

## 3 Reasons Canopy Growth Corp. May Outperform in 2017

### Description

**Canopy Growth Corp.** (TSX:CGC) had a fantastic, albeit bumpy, ride in 2016. The marijuana producer finished 2016 with a 200% stock appreciation since July, when the company was first listed on the TSX (it's had an even more impressive increase since the beginning of 2016, when the company was listed on the venture exchange under TWD). I'll be taking a look at three things Canopy investors should look for in 2017 to ensure continued rapid growth in the future.

### More acquisitions

Canopy is a company with a lot of growth potential globally. The domestic Canadian market, while significant on a per-capita basis, is not sufficiently large to justify the growth in Canopy's stock price in 2016.

Recent acquisitions and partnerships in Brazil, Australia, and Germany (and others) should pave the way for the company to breach the "learning curve" on M&A and partnership deals in the marijuana industry. As one of the largest marijuana producers in the world, Canopy stands to benefit from increased economies of scale gained by strategic, targeted investments around the world.

It remains to be seen how these partnerships and acquisitions will pan out, and investors will be looking to the performance of the deals Canopy completed in 2016 and in this new fiscal year.

### Marijuana commodity prices

Marijuana (medical or otherwise) is transitioning from a vilified black-market good to a newfound valuable commodity. As marijuana begins to trade globally on a larger scale (currently, global trade in marijuana is very limited and restricted to only a few countries), investors will see prices move in more predictable patterns, likely resembling patterns exhibited by other major commodities such as oil, wheat, etc.

The movement in the global price for marijuana will become more important for companies such as Canopy, which are choosing to grow primarily through acquisitions and partnerships on a global scale. Investors in Canopy will need to monitor trends in the price for marijuana in the markets Canopy is operating in (and it looks like the number of markets may increase in 2017).

### Industry growth and competition

As a relatively new industry, investors have been waiting to see how the current market participants and potentially new market entrants will shape the global market for marijuana. As the global pot industry grows due to the legalization or decriminalization of this new commodity, investors will likely see an influx of new entrants looking to capitalize on the profitability of the industry.

As competition grows and margins decrease toward a long-term industry average, the bigger concern for Canopy investors will be whether Canopy will be able to maintain its position as the market leader

or secede some of its market share to burgeoning “growth” companies in this space.

In any case, this will be fun to watch.

Stay Foolish, my friends.

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1. TSX:WEED (Canopy Growth)

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