



Canopy Growth Corp.: Does This Stock Belong in Your Portfolio?

Description

The cannabis industry has become one of the most discussed industries in the past year. With the first gram of recreational marijuana expected to be sold in early 2018, some analysts have estimated the recreation market to be worth close to \$6 billion in Canada. Although there are high expectations for the future of this market, there is still a lot of work to be done by the government before legalization occurs.

In the meantime, **Canopy Growth Corp.** ([TSX:WEED](#)) has established itself as the clear leader in the industry and has been aggressively expanding its operations. With no signs of slowing down in this emerging market, Canopy should continue to dominate the Canadian market and expand its operations internationally.

Here are two reasons why Canopy can maintain its status as the industry leader.

No competition from the south

Although marijuana has been legalized for recreational use in eight states, it's still illegal at the federal level in the U.S. Therefore, American cannabis companies are limited to selling cannabis within state borders and can't expand their operations to a national level.

With Trump's intention to keep cannabis illegal on a federal level, it creates an opportunity for Canadian companies to penetrate international markets before the U.S. Canopy has already begun to take advantage and has been shipping its products to countries such as Germany and Brazil.

With its first-mover advantage and well-established operations, Canopy is poised to become a globally recognized cannabis producer.

Acquisition of Mettrum Health

Canopy has done a great job creating a company brand through its subsidiary Tweed, attracting customers with medical marijuana licenses, and priming itself for the recreational market. However, one of its weaknesses was targeting doctors and informing them of the benefits of medical marijuana,

so they can prescribe their products. Canopy addressed this weakness by acquiring Mettrum Health.

Mettrum's strategy was focusing on doctors rather than patients, which allowed it to become the second-largest cannabis producer in Canada before the takeover. Through the acquisition, Canopy has essentially become the preferred producer for both doctors and patients, which positions the company well in the medical and recreational market.

Foolish bottom line

The cannabis industry is still highly speculative, and all of the pot stocks' current valuations do not align with historical fundamental analysis. However, in the past few months, Canopy's stock price has stabilized from its extreme volatility in November 2016.

If you're keen on gaining exposure to this industry, you're better off acquiring shares in established and profitable companies such as Canopy. With much uncertainty surrounding these stocks, it's important to make sure that any acquisition is only a small portion of your portfolio.

Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/18

Date Created

2017/02/24

Author

cbeck

default watermark