



Has Canopy Growth Corp. Outgrown the Hype?

Description

One of the most intriguing stocks of the past few months has been **Canopy Growth Corp.** ([TSX:WEED](#)). Canopy captured the imagination and hopes of investors last year as the stock price rose and the market cap shot through the \$2 billion valuation mark in relatively short order.

Canopy then fanned the flame more through a series of expertly timed acquisitions that eliminated some competition as well as expanded it into new markets.

Since that point, the stock has gone through a series of fluctuations, but, as a whole, the company remains an interesting investment that warrants a place in your portfolio. Here are a few reasons to consider Canopy if you haven't already.

Canopy is the market leader

Medical marijuana is an emerging field that is growing at an incredible pace. The two recent acquisitions by Canopy have greatly strengthened the company's hold on the market in Canada as well as internationally.

The acquisition of Mettrum Health Corp., which was a large competitor of Canopy in Canada, has resulted in Canopy now counting nearly half of all medical marijuana patients in Canada as its patients. The deal also instantly increased the production capacity of Canopy, and as integration of Mettrum into Canopy continues, the company can begin to benefit from reduced costs and a larger product line.

Another interesting acquisition by Canopy was for German distributor Medcann. This deal, like the Mettrum deal, is nothing short of a masterstroke.

German law currently doesn't permit cultivation of cannabis locally, which means that the growing medical marijuana market's needs are reliant on imports and is in the process of enabling access through qualified suppliers. Medcann is a distributor, and Canopy is already recognized as the premier legal supplier of cannabis in North America, so a link between the two will formally solidify Canopy in the German market with potential to springboard to additional European markets in time.

A similar partnership is already in place in Brazil, and Canopy has even reached out to online retailers of cannabis accessories that serve over 20 countries, looking to strike another deal.

This will ultimately lead to more demand.

Canopy has secured an agreement with the Goldman Group, a real estate developer, to build or buy the requisite facilities to match Canopy's production requirements. Once the facilities are ready, Canopy will lease them from Goldman.

Is there too much growth?

One of the concerns with Canopy is that the company is in a new segment of the economy for which there is great interest, significant investment, and huge potential. This can have the tendency to result in the company becoming overvalued or overweight as hopeful investors latch on to dreams of tripling their investments.

There's also the legal point. A task force is currently working on recommendations to table legislation towards the end of the year on the creation of a legal recreational market for marijuana in Canada. That legislation could take longer, or it could get held up for a variety of reasons. And in the U.S. presidential election last fall, ballots in several states included motions for legalizing marijuana, either for medical or recreational use, with most easily passing.

In short, the opportunity for Canopy is there, but it is dependent on a host of factors and could take longer to materialize than some believe. In my opinion, the stock has some more fluctuations in the short term, but over the long term, Canopy remains a great investment opportunity.

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