



This 1 Marijuana Company Could Lead the Pack and it's Not Canopy Growth Corp.

Description

Many investors looking to gain exposure to the marijuana “green rush” of late in Canada and abroad have looked to **Canopy Growth Corp.** ([TSX:WEED](#)) as a first pick because of its large market capitalization and the belief that Canopy will be able to take advantage of a perceived first-mover advantage over rivals to gobble up market share in Canada and abroad.

But there's a long-term candidate in the marijuana space that I believe has a chance to outperform Canopy in the long run for a number of reasons.

Let's take a look at **Aphria Inc.** (TSX:APH).

Business model and growth prospects

With the marijuana industry and any other early stage company operating in an environment with a number of regulatory and economic uncertainties, the valuations placed on these companies are largely based on expectations:

- Growth rate expectations (short, medium, and long term)
- Market share expectations
- Industry growth rate (in this case, relating to regulation and the ability of new consumers to legally consume)

Aphria is currently running the race, but lagging behind Canopy (the industry leader in Canada) for a number of reasons. Among these, Canopy has done a very good job of gaining ground on its competition, branding its products, and building international partnerships via acquisitions and investments than other firms.

That said, it looks like Aphria is doing a good job of catching up.

U.S. expansion

In terms of international growth potential, Aphria continues to move forward with high-quality investments in geographic areas that are likely to produce a significant stream of future cash flows in the long term. One investment announced recently in an Arizona medicinal cannabis producer **Copperstate Farms, LLC** gives Aphria a foothold in Arizona, one of the newest states to announce legalized marijuana.

This strategy of investing in areas that are untouched by other large competitors strengthens Aphria's overall market share position, setting the company up as a viable rival to other large Canadian marijuana companies such as Canopy.

Conclusion

One of the newest additions to the TSX, Aphria, is continuing to grow its presence domestically and abroad, setting itself up to "play with the big boys" in Canadian marijuana production. That said, long-term competition from large U.S. or global marijuana companies looking to defend geographical areas from small Canadian producers may provide significant headwinds for companies such as Aphria or Canopy.

Given the fact that the competitive landscape is very messy right now, and the time horizon for the legalization of marijuana in specific jurisdictions remains unknown, I remain hesitant about Canadian marijuana companies. I do, however, prefer some over others.

Stay Foolish, my friends.

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chrismacdonald

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