



Canopy Growth Corp.: Is This Stock a Long-Term Buy?

Description

Canopy Growth Corp. ([TSX:WEED](#)) has recovered some ground in the past two months.

Let's take a look at the current situation to see if this is the right time to make a long-term bet on the stock.

Medical marijuana

Canopy is the leader in Canada's medical marijuana sector and is positioning itself to be a significant player in international markets.

Through a series of acquisitions, Canopy's management team has consolidated a new and rapidly growing market, giving it a strong foothold in the medical marijuana space.

The most important purchase was the acquisition of Mettrum Health, which added national brands, expanded production facilities, and bumped up the registered medical marijuana patient list to above 50,000.

Production capability is critical, and Canopy has made some smart moves to address the situation.

The company is working with real estate company the Goldman Group to secure new facilities and have them outfitted to Canopy's specifications. Goldman will own the sites and lease them to Canopy.

In addition, Canopy acquired the 40-acre property that houses its head office and has enough space to substantially increase production.

New facilities in Edmonton and New Brunswick have also been announced.

On the sales side, Canopy's online platform, Tweed Main Street, is a one-stop shop for its registered patients to access all of the company's brands. Canopy has also launched its CraftGrow program that provides other producers with the opportunity to sell their products through Tweed Main Street.

The global expansion is being driven through the recent creation of a new international medical brand,

Spectrum Cannabis, which will be distributed through the company's business operation in Germany and Chile.

Recreational market

Investors are betting big on Canopy's ability to dominate the recreational market that is expected to open in Canada in 2018.

The Federal Government remains committed to meet its deadline, but several provinces are starting to push for a delay to allow them more time to get things organized in their own regional markets.

The provinces are responsible for setting rules on pricing, taxes, sales and distribution, and they want to make sure they get it right.

In addition, provinces that share a border, such as Quebec and Ontario, want to ensure their respective programs are similar.

Should you buy Canopy?

The stock appears to have stabilized in the past couple of months, which should be a good sign.

At this point, investors have to decide when they think the recreational market will begin to operate. If you are of the opinion that next year's target will be met, it might be worthwhile to start nibbling on the stock.

If you think Ottawa will be forced to delay the launch date, you might want to wait for a possible dip on such news.

Canopy is making all the right moves and should be a leader as the legal marijuana market matures. Today, however, the \$1.5 billion valuation looks rather steep based on the exiting medical marijuana business, so I would keep any position small until the recreational market is up and running.

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