

New Investors: Should Canopy Growth Corp. Be in Your TFSA?

Description

Young investors are searching for new and exciting stocks to add to their TFSA portfolios.

Let's take a look at **Canopy Growth Corp.** ([TSX:WEED](#)) to see if it deserves to be on your buy list.

Market leader

Canopy is the market leader in Canada's medical marijuana industry, and it's positioning itself to take a large chunk of the expected recreational market, which could be open in the summer of 2018.

The company made a number of strategic acquisitions to quickly consolidate the sector in the past couple of years, with the takeover of Mettrum Health being the most significant. Mettrum added national brands and key production facilities as well as a solid client base.

Scaling up production is a core part of Canopy's strategy, and the company has taken important additional steps to address the challenge. Earlier this year, Canopy acquired the property that houses its head office. The deal added the capacity to triple production at the time the purchase was announced and comes with a large land package that could be developed in the coming years.

In addition, Canopy has an agreement in place with a real estate developer, the Goldman Group, which will help boost production capacity in an efficient way. Goldman will acquire or build sites and outfit them to meet Canopy's requirements. Canopy will then lease the facilities from Goldman.

On the sales side, Canopy has launched its online platform, enabling its registered medical marijuana patients to get access to all of the company's brands in one location. Canopy has also created a partnership program that gives other producers access to the online store.

Overall, the company is doing all the right things to cement itself as the market leader in a fast-growing industry.

Growth outlook

The Canadian government remains committed to seeing the recreation market open next summer. Some provinces have asked for more time, while others appear to be working towards the July 1, 2018, target date.

Canopy recently announced a memorandum of understanding with the Government of New Brunswick to supply the new Crown corporation that is being set up to serve the recreational market in New Brunswick. Ontario is moving ahead with plans to sell through its LCBO network.

Overseas, Canopy owns a distribution company in Germany and has announced agreements or partnerships in Australia, Spain, Chile, and Brazil.

Should you buy?

The stock is up nearly 25% in the past three months on improved investor sentiment about the opening of the Canadian recreational market next year.

At a current market capitalization of \$1.8 billion, Canopy is expensive when you look at the medical marijuana operations, so investors have to believe the company will grow into the valuation through the opportunities in the recreational market.

I wouldn't back up the truck just yet, but if you like the potential for the sector and are willing to ride out some ongoing volatility, it might be worthwhile to put a bit of Canopy in your TFSA today.

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