



## Canopy Growth Corp. Diversifies its Product Offering to Boost Future Revenue

### Description

**Canopy Growth Corp.** ([TSX:WEED](#)), the world's largest medical marijuana company, currently offers dried, oil, and softgel cannabis products. Canopy is looking to diversify its product offering to boost revenue and achieve more growth, preparing for a potential recreational market.

#### Marijuana-infused coffee and tea

In July, Canopy signed a licensing agreement with **Isodiol International Inc.** to manufacture and distribute Isodiol's marijuana-infused "Pot-O-Coffee" and "Pot-O-Tea" branded products in Canada and in other countries.

Although marijuana-infused edibles products are not currently legal in Canada, the future legalization of marijuana for recreational use on or by July 1, 2018, present opportunities for Canopy that it wants to seize when they arise.

#### Cannabis for a healthier skin

Last week, Canopy signed another agreement to bring new products to the market, this time with **Skinvisible Pharmaceuticals, Inc.** Under this agreement, Canopy has an exclusive licence to distribute Skinvisible's topical products in Canada, while having first rights to market those products in all countries, excluding China and the United States.

The agreement covers two distinct product lines made with Skinvisible's Invisicare® technology, which allows for the controlled release of active ingredients over an extended period of time.

Skinvisible will first develop topical hemp-based products that will be launched by Canopy Hemp Corporation, Canopy's hemp-based subsidiary acquired last November.

The agreement also includes potential topical products infused with cannabis when and if Canadian regulations change to allow CBD or THC infused topical products for sale in Canada.

According to Canopy's president Mark Zekulin, this agreement will have an immediate impact on the

company's hemp product lines, as Invisicare® technology can be applied to hemp oil products in today's regulatory environment.

The demand for topical products containing cannabis is increasing, driven by consumer awareness of its medical benefits and favourable legislative changes worldwide.

Neil Maruoka, analyst at **Canaccord Genuity**, believes that Canopy's move into topicals could provide upside to the stock, but that investors should be aware of the hurdles associated with the implementation of such products in Canada.

Topical formulations containing cannabis could take time to reach the market, since they are currently not permitted by Health Canada. It is likely that regulators will loosen restrictions when recreational marijuana is legalized, but given the uncertainty, it's difficult to evaluate the effect on Canopy's revenue and profit.

Canopy also announced last week that its research and development subsidiary, Canopy Health Innovations, filed nine patents in the U.S. for use of cannabis in sleep therapies and related nervous system disorders.

### **So what?**

With the increased competition that Canopy is facing, diversifying its cannabis product offering become increasingly important. The agreements that the cannabis producer has signed prepares it for future opportunities that may appear when the legalization of cannabis happens next year.

Canopy's CEO Bruce Linton is confident that the company will be profitable in about six to 12 months. At the moment, the company is still not able to turn revenue into a profit.

In its first quarter fiscal 2018, the cannabis producer reported a revenue 127% higher from a year ago to \$15.9 million. It sold 1,830 kilograms and equivalents at an average price of \$7.96 per gram, up from 984 kg and \$7.09, respectively, a year earlier.

The company's quarterly net loss rose to \$4.4 million, or \$0.03 per share, from \$3.9 million, or \$0.04 per share, a year earlier.

With a P/S of 40 and a forward P/E over 200, Canopy looks overvalued. The rise in its share price is based on future expectations for earnings. If you have a big appetite for risk and potentially high returns, you should have some shares of Canopy in your portfolio.

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