



Canopy Growth Corp. Stock to Soar Further After Announcing Another Exponential Growth Driver

Description

The undisputed world marijuana giant, **Canopy Growth Corp.** ([TSX:WEED](#)) might just have cemented its lead in the Canadian medical and upcoming recreational marijuana industry, giving investors another confidence booster ahead of the anticipated July 2018 recreational marijuana legalization.

Canopy announced on October 11, that it has created a joint venture with an experienced large-scale greenhouse operator in B.C. to form BC Tweed Joint Venture Inc. with an intent to develop 1.3 million square feet of existing greenhouse facility in the province.

The joint venture also has an exclusive option to develop a further 1.7 million square feet of greenhouse growing space at another site controlled by the joint-venture partner in an arrangement where Canopy has a 66% interest in the new entity.

This is a massive three million square feet of potential additional greenhouse production facility space that will add to Canopy's one million greenhouse space and allow the company to exponentially expand and establish a physical presence across key economic provinces in Canada — a geographical expansion that Canopy proudly says covers the country from coast to coast.

Canopy is hopeful that it will have some product available from the new joint-venture sites as soon as July 1, 2018, right when the first recreational marijuana gram is likely to get sold legally in Canada.

One can only imagine how much productive capacity these new facilities will add to Canopy's already massive industry leading capacity; plans have been announced to expand indoor production facilities to 900,000 square feet.

If Canopy is to go through with this brilliant plan, then the world's largest legal cannabis grower could boast of close to five million square feet of licensed productive capacity in 2018.

No other marijuana player can contest this sheer size of an expansion program in such a short space of time.

Aphria Inc. (TSX:APH) is on course to reach 1,000,000 square feet of production facility space in a Phase III expansion program estimated to be complete by July 2018, and **Aurora Cannabis Inc.** (TSX:ACB) is hoping to complete its flagship Aurora Sky facility at Edmonton Airport by midyear 2018, which will add 800,000 square feet to Aurora's 55,200 and 40,000 square feet facilities.

MedReleaf Corp. (TSX:LEAF), another cannabis giant, has recently embarked on production capacity expansion projects, but the low-cost producer is lagging behind Aphria and Aurora by a wide margin on this front.

Even if Aurora, the most aggressive competitor in the cannabis space, were to try and mimic Canopy's giant leap in the coming months, it most likely has a tight budget with the Aurora Sky and the Peloton Pharmaceuticals facilities still to be completed and may not pull off a deal this size without a further equity raise.

Most noteworthy, the new deal seems to be at a substantially low cost to Canopy.

The company is paying the partner "based upon various milestones," 310,316 common shares (about \$4.2 million in common stock at Wednesday's \$13.59 closing share price), and a further \$2.75 million in stock later as milestones are achieved for a total \$6.95 million before development costs.

Canopy will contribute another \$20 million in cash to fund the development for a total investment of about \$27 million.

I believe these are low costs for such a massive production capacity expansion program, even if Canopy has no total control of the venture.

It is very much likely we may hear of some similar business arrangements in the near future involving other licensed marijuana producers as the recreational marijuana era draws nearer.

If Canopy can add 1.3-million-square-foot production space at a cost less than \$30 million, competitors will most likely want to try the same low-cost expansion route right now.

Investor takeaway

Canopy has widened its lead in world marijuana productive capacity so far, and the company is poised to control the majority market share in the world medical cannabis as well as lead in recreational marijuana sales.

Several competitors may attempt to copy Canopy's announced greenhouse facility arrangement soon.

The company's latest move may easily double the stock's share price in a few months in the run-up to July 2018.

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