

Canopy Growth Corp.: How the Stock Could Soar to \$20 by the Year's End

Description

Canopy Growth Corp. ([TSX:WEED](#)) recently surged past the \$2 billion market cap mark, as the company continues to pick up momentum just months away from nationwide legalization. Many provinces have already submitted their plans regarding legalized marijuana distribution, and more details are likely to be released in the months ahead, all of which I believe will be positive drivers of Canadian marijuana stocks in the near term.

What further details will provinces be releasing?

Provinces are likely going to name their go-to suppliers, as New Brunswick did recently. New Brunswick made it public that it's securing supply deals with Canopy in addition to Organigram. Canopy's two-year deal includes the production of about four million grams of cannabis and cannabis-derivative products in the first year alone with an approximate retail value of \$40 million.

In addition to supply deals, each province will release details on how cannabis will be regulated and distributed. New Brunswick has opted to take a more flexible approach to distribution, whereas Ontario has chosen to take full control of both physical and digital sales of cannabis through the LCBO.

I believe New Brunswick's less-conservative distribution strategy is a major plus for cannabis producers such as Canopy, which would likely be free to unlock the power of its brands. In such an environment, I believe superior branding could make a huge difference when compared to a conservative distribution environment, as with LCBO-run stores in Ontario, which may not offer much freedom in the way of branding or promotions.

Regardless of which distribution strategy the remaining provinces choose, I think all marijuana stocks are poised to rally, because each development will chip away at the political uncertainty that I believe kept all marijuana stocks in limbo earlier in the year.

Of course, a more flexible retail environment would be terrific for producers and recreational users alike. It's reasonable to assume that provinces that had voiced their concerns about legalized marijuana in the past will opt for the conservative distribution approach initially while becoming more flexible over time as the taboo surrounding marijuana gradually fades.

What could send Canopy to \$20 by the end of the year?

If Canopy secures more supply deals, which I think is likely, then shares could hit the \$20 mark by the year's end. Canopy is ramping up its production capacity in anticipation, which is a very promising sign. Over three million square-feet worth of capacity will be developed in British Columbia.

Even if no further supply deals are secured, I still think Canopy could fly a lot higher than \$20 by Canada Day 2018, assuming its production developments go according to plan and no unexpected political roadblocks come up. There's going to be a huge cannabis shortage once legalization day

finally arrives, and Canopy is well positioned to capitalize on this opportunity of a lifetime.

If you've got the risk tolerance and the time to keep up with new developments, then it may be time to place a bet on Canopy — my top marijuana stock at this point in time.

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