5 Reasons Why Shares in Canopy Growth Corp. Could Take Off and Become Scary Big

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It's not often that government intervention leads to the minting of a new multi-billion-dollar industry. Yet today, we have the birth of the recreational marijuana market, with sale of the drug expected to become legal by July of next year.

With sales initially forecast between $5 and $10 billion, there are literally billions of profits waiting in the wings for those who are brave enough for step up and reach for them.

Canopy Growth Corp. (TSX:WEED) has demonstrated an initiative to grab those profits unlike any peer to date.

Here are five reasons why Canopy could very well become the dominant player in Canada's marijuana market.

The first-mover advantage

Canopy was the first to come to market with an initial public offering in 2014 and has quickly become Canada's largest medical marijuana producer, with a market capitalization of $2.2 billion — more than twice the size of nearest competitors **Aphria Inc.** (TSX:APH) and **Aurora Cannabis Inc.** (TSX:ACB).

Not only does Canopy boast a bigger market cap, giving it greater access to the capital needed to aggressively expand operations, but Canopy also currently produces nearly three times as much medicinal marijuana as competitor Aphria and has more than four times as many patients on record than Aurora Cannabis.

In a rapidly growing market, size matters, and in this regard, the scale tilts in favour of Canopy.

An established relationship with the federal government

The Canadian government has stated on record that it will strictly regulate the production and sale of marijuana.

This stands to benefit Canopy given that the company already holds a licence to operate as a marijuana producer.

Expect the federal government to lean heavily on its established licensed producers as the feds work to eliminate the illicit market for the cannabis.

Canopy is aggressively expanding its production capacity

Last week, Canopy announced plans to develop up to three million square feet of greenhouse growing capacity in British Columbia — a move that would see the company more than double its production footprint.

But last week's announcement is just the latest in a long string of acquisitions by the company, as management and the board of directors have been aggressively expanding their potential capacity to meet oncoming demand — demand that many agree the market is simply not prepared to meet.

That Canopy is taking the initiative to expand greenhouse space in advance of any further announcements by the federal government is a bold move, but one that could reward shareholders handsomely if the move pays off.

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The company already has a direct-to-market distribution strategy

Provinces are responsible for establishing a regulated retail framework to distribute recreational marijuana, as is currently the case with alcohol sales in many Canadian provinces.

Yet medicinal users will be able to purchase cannabis online direct from a federally-licensed producer.

Depending how things shake out, this could be a huge "win" for Canopy, which has been busy setting up Tweed Main Street, an online marketplace where customers can shop for their favourite cannabis brands, like Spectrum Cannabis and Tweed Farms.

Canopy has plans for international expansion

Canada will be the second country to legalize marijuana, behind Uruguay, but it appears as though there are several international markets not far behind.

Canopy is very much on top of this emerging opportunity and has, to date, announced its entry into the German, Brazilian, and Australian markets.

While the market in Canada is a big enough opportunity on its own, the potential of Canopy to expand into international markets brings the scope of the available opportunity to a whole new level.

Conclusion

The incredible thing about the prospects of investing in Canopy Growth today is that there is absolutely stunning upside to this company, yet even if things don't pan out just right, the company should still do well in Canada’s new recreational marijuana market.

This means that shares in Canopy offer a very attractive asymmetric risk/reward opportunity — one that should certainly not be ignored by investors.

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