



Constellation Brands Inc. Just Leapfrogged the Entire U.S. Cannabis Market

Description

Investors in **Canopy Growth Corp.** ([TSX:WEED](#)) may or may not be directly familiar with **Constellation Brands Inc.** ([NYSE:STZ](#)) just yet, but they are likely to learn a lot more about the beverage behemoth thanks to an investment by Constellation this week.

Constellation is a beverage company that produces and markets a myriad of wines, beers, and spirits across several markets that include both Canada and the U.S., as well as Italy, Mexico, and New Zealand. In total, Constellation has over 40 locations, including one distillery in Canada.

Constellation just bought a stake in Canopy, and a fairly significant one too. The purchase price of \$245 million accounts for a nearly 10% stake in Canopy and offers a way for the U.S.-based company to explore the potential of creating cannabis-based products.

In addition to the new stake in Canopy, Constellation has an option to potentially double its Canopy investment over the next 30 months via stock purchase warrants.

Constellation has no plans to sell any cannabis-containing products in any of the markets the company serves until such time that it is legal to do so.

What does Constellation get out of the investment in Canopy?

For Constellation, there are several reasons that make the investment not only feasible, but a great long-term growth play.

First, with the U.S. market still vehemently opposed to anything cannabis based, Constellation can get ahead of any domestic competitors and begin researching what types of cannabis-based products can be brought to market, so when regulations in the U.S. eventually loosen up, Constellation will have a quick turnaround.

Second, Constellation can see the potential in investing in Canopy, particularly over the long term. Canopy has benefited from explosive growth the stock saw last year, which, while more stable, continues to appreciate. Should that growth to continue as many foresee, Constellation's investments

stand to profit considerably.

Finally, Constellation is gaining a strategic ally in Canopy, where the two companies can provide assistance to one another. Canopy will benefit from the marketing and brand support expertise that Constellation can provide to further push products out to market.

For Constellation, the company gains a partner, as per Constellation CEO Rob Sans: “Canopy Growth has a seasoned leadership that understands the legal, regulatory and economic landscape for an emerging market that is predicted to become a significant consumer category in the future.”

Is Canopy a good investment?

Even without an investment by Constellation, Canopy remains an intriguing investment opportunity for those investors that are firmly set on the long term.

That's not to say that Canopy is not the only [opportunity](#) for investors looking to capitalize on the growing cannabis market, but Canopy is perhaps the most lucrative.

The opportunity that the emerging Cannabis market poses is fairly significant, even though many of the regulatory hurdles are still in progress.

When Canopy rapidly ascended in share price last fall, it turned heads of investors everywhere, who immediately jumped on the bandwagon to witness the stock price soar then retreat. Fortunately, Canopy has since stabilized, remaining a [strong opportunity](#) for a host of reasons.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:STZ (Constellation Brands Inc.)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/19

Date Created

2017/10/31

Author

dafxentiou

default watermark

default watermark