



## Why Canopy Growth Corp.'s Shares Soared as Much as 23% on Monday

### Description

**Canopy Growth Corp.'s** ([TSX:WEED](#)) stock soared on Monday, as the company got a big investor on board in beverage maker **Constellation Brands, Inc.** ([NYSE:STZ](#)), perhaps most well-known for its Corona brand of beers. The deal would see Constellation own slightly less than 10% of Canopy in exchange for \$245 million.

### Cannabis beverages on the way?

Edible marijuana may take a back seat, as the two companies are planning to collaborate on cannabis-infused beverages. However, this might be jumping the gun, as the Canadian government has not given any indication that it will legalize edibles or any other type of marijuana-related products, including beverages.

The risk is that the companies invest a great deal into the development of something that could be a long ways away from being legal in many markets. The reward is in potentially being the first company to sell alcohol that contains cannabis and have the entire market share, at least initially.

### Marketing expertise and growth opportunities gained

Constellation will also help Canopy with marketing and developing its brand, and with dozens of brands in its portfolio, it's something that Constellation has a lot of experience with.

If cannabis is ultimately legalized in the U.S., Constellation could also help Canopy expand south of the border. However, in light of the recent comments made by the TSX, Constellation was careful to say that it did not plan to sell any Cannabis products in the U.S. until it is legal to do so.

Last week, Canopy also announced a strategic partnership with Grow House JA Ltd., which will enable the company to sell medicinal marijuana to the Jamaican market.

### Why this is good news for investors

There have been rumours that big companies, particularly in the U.S., are waiting in the sidelines to get

into the cannabis industry when the time is right, and Constellation's investment certainly suggests that might be true. The industry has significant growth potential, and we may still see pharmaceutical and tobacco companies get into the mix.

The big hurdle today is the need for cannabis to be legalized at the federal level, particularly in the U.S., to ensure companies don't get into legal issues when transporting marijuana.

The investment by Constellation and interest from other companies is also further validation of the incredible growth prospects that the cannabis industry possesses as big companies are eager to get a slice of the pie before it gets much more expensive.

### **Should you buy Canopy?**

This is certainly an industry and a stock that has lots of potential, and with Canopy securing strategic partnerships, expanding its global presence, and [securing big supply deals](#), there are many ways this stock can take off.

Canopy is already establishing itself as a leader in the market and as the face of the industry. This is especially important when advertising will be very difficult to do with many restrictions, and that makes its market position all that more valuable.

The stock could take off in the months and years to come, and growth investors would be wise to get in before the share accelerates even further in price.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

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### **Category**

1. Investing

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