



Why Canopy Growth Corp. Is up Over 25% This Week

Description

What happened?

Diversified cannabis company **Canopy Growth Corp.** ([TSX:WEED](#)) has watched its stock soar over 25% so far this week following an announcement on Monday morning that **Constellation Brands, Inc.** ([NYSE:STZ](#)), one of the world's largest alcoholic beverage companies, would acquire a minority stake in the company.

So what?

Constellation's total investment is expected to be approximately \$245 million in return for a 9.9% ownership interest in Canopy, or about 18.9 million shares at a price of \$12.9783 per share, as well as warrants that give Constellation the option to purchase an additional ownership interest in the future.

As part of the investment agreement, Constellation and Canopy have agreed to exchange knowledge and expertise, which makes sense given the fact that the two will collaborate to produce and sell cannabis-infused beverages.

It's also worth noting that the transaction is expected to close during the third quarter of 2018.

Now what?

Canopy is the world's largest publicly traded cannabis company, and Constellation Brands is one of the world's largest alcoholic beverage companies, so I think the two getting together will make them virtually unbeatable in the cannabis-infused beverage market.

This deal also makes me more bullish on Canopy than I was [on August 14](#) when I last recommended it, even with it up more than 80% since then, for three reasons in particular.

First, it solidifies Canopy as one of the top players in the cannabis industry today, because Constellation had other options, such as **Aphria Inc.**, **Aurora Cannabis Inc.**, and **MedReleaf Corp.** Second, it shows that Constellation is bullish on the future of recreational marijuana not only in

Canada, but also in the United States and around the world. Third, the deal gives Canopy a deep-pocketed partner with the distribution and logistical capabilities to support its expansion plans and develop cannabis-infused drinks into a major product category.

With all of the information provided above in mind, I think all Foolish investors seeking exposure to the high-growth cannabis industry should strongly consider investing in Canopy Growth Corp. today with the intention of adding to those positions on any weakness in the future.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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