



Canopy Growth Corp.: Is This Stock Still Attractive?

Description

Canopy Growth Corp. ([TSX:WEED](#)) is up more than 100% in the past two months, and investors are wondering if more gains could be on the way.

Let's take a look at the current situation for Canada's top medical marijuana company to see if the stock deserves to be in your portfolio.

The beer surge

Canopy's stock price moved significantly higher after **Constellation Brands, Inc.** ([NYSE:STZ](#)) announced it had secured an agreement to take a 9.9% stake in the marijuana producer. Constellation, which owns Corona, is apparently interested in creating cannabis-infused beverages.

The plan sparked renewed interest in Canopy's stock.

Why?

Investors are now looking at an expanded market opportunity for the company in the next few years, as countries roll out legalized recreational marijuana sales. The largest potential lies in the United States, where many people think a nationwide legalization of marijuana is in the cards.

That might not happen soon, but big companies are starting to make early bets.

In the meantime, cannabis-infused beverages could launch in other countries, including Canada, that are moving toward a recreational market in the near term.

Recreational potential

Canopy is widely regarded as the [market leader](#) heading into Canada's expected launch of a recreational marijuana market next summer. Pundits have pegged the potential size of the market at \$5 billion or higher.

The stock pulled back through the first half of 2017 on concerns the federal government might have to

push back the 2018 launch due to concerns from some of the provinces.

In recent months, however, the provinces have started announcing their frameworks for operating the legalized recreational market, and investors are feeling more confident that the federal government's timeline will be met.

Alberta, Ontario, Manitoba, Quebec, and New Brunswick have all provided outlines for their plans to open the recreational market in their respective jurisdictions.

Should you buy Canopy?

At the time of writing, Canopy trades for close to \$20 per share.

The stock has more than doubled in the past two months, and Canopy now has a market valuation of about \$3.4 billion.

Based on the existing revenue stream and the size of the medical marijuana market, the stock is extremely [expensive](#), so you really have to be confident the recreational market will open as planned in Canada next summer and that other countries will follow suit, as anticipated.

Canopy has done all the right things to position itself to be the dominant player in the industry, and the company could very well grow into its valuation quite quickly, but I would be careful chasing the rally right now.

If you own the stock, it might be worthwhile to book some profits after the big surge. New investors might want to wait for a pullback to start a position.

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

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