Should Canopy Growth Corp. Be a Top Pick for 2018?

Description

Canopy Growth Corp. (TSX:WEED) has been a profitable pick for investors this year, and those who've missed out on the big rally are wondering if more gains could be on the way in 2018.

Let's take a look at the current situation to see if the stock deserves to be in your portfolio.

Medical marijuana leader

Canopy is the leader in Canada's medical marijuana market. The company has done a good job of making strategic acquisitions at opportune times, including the purchase of Mettrum Health earlier this year.

Canopy currently provides medical marijuana to more than 50,000 registered patients through its online sales platform. The company offers several brands and has negotiated deals with smaller suppliers to give them access to the market through its CraftGrow program.

The move is a smart one, as it helps Canopy secure its dominant position. Smaller companies do not have the resources to build their own online platform, and by allowing other producers to use its system, Canopy gets a piece of the action while controlling the point of sale.

The company is also positioning itself for international growth. Canopy already owns a pharmaceutical distributor in Germany and has entered joint-venture, or partnership, agreements in several countries, including Spain, Australia, Denmark, Brazil, Jamaica, and Chile.

Recreational opportunities

Canopy's stock has rallied on the hopes that Canada will open its recreational marijuana market next summer.

The federal government appears determined to follow through with its schedule, and the provinces are slowly revealing blueprints for how they plan to run the industry in their respective jurisdictions.

Ottawa has placed the majority of the burden on the provinces, so most of the details on pricing and distribution have to be sorted out at the provincial level.

Whether or not the provinces will be able to hit the ground running on July 1, 2018, is yet to be seen, but investors seem to think the odds are pretty good.

Canopy also received a boost after **Constellation Brands**, which owns Corona, announced an agreement to take a 9.9% stake in the marijuana producer.

Constellation plans to sell cannabis-infused beverages in markets that allow the recreational use of marijuana.

Should you buy for 2018?

At the time of writing, Canopy trades for $19.20 per share. That's nearly triple the price some investors paid for the stock in early June, and translates into a market capitalization of more than $3.65 billion.

Based on the company's most recent quarter, the stock is very expensive. Canopy reported revenue of $17.6 million and a net loss of $1.6 million.

As a result, investors who buy today have to be convinced the recreational market will open as planned, and the company will capture a significant part of that market, which pundits say is worth at least $5 billion.

Management is doing all the right things, and Canopy could very well grow into its valuation quite quickly. However, given the large rally in the past six months, I would probably wait for a pullback before adding the stock to your portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/19
Date Created

2017/12/17
Author
aswalker