

The Big Reason Why Canopy Growth Corp. Stock Soared 6% Yesterday

Description

December 19 was yet another strong day for **Canopy Growth Corp.** ([TSX:WEED](#)), as its shares surged 6% in trading, as of this writing. One big development, which encouraged an analyst to believe there's a lot more upside left in Canopy, fueled the stock price.

Onward to organic cannabis

Deals have [become a new normal](#) for Canopy, but the latest one is a bit offbeat — Canopy is now grabbing greenhouses to convert them into organic cannabis facilities.

Canopy just struck a joint venture with Quebec-based greenhouse operator Les Serres Stephane Bertrand to form a new company named Les Serres Vert Cannabis Inc. (Vert Mirabel), which will lease Bertrand's 700,000-square-foot greenhouse facility that's currently used to grow tomatoes and other vegetables to produce cannabis.

It's an important deal for two reasons: it'll strengthen Canopy's foothold in a large market, Quebec and, more importantly, will allow Canopy to make inroads into organic marijuana thanks to Bertrand's expertise in growing organic tomatoes.

A deal just in time

Organic cannabis holds a lot promise, primarily because marijuana has medicinal uses where safe and chemical-free products gain significance. Because cannabis grows in a similar environment as tomatoes, Bertrand's greenhouse should be a good fit to grow organic cannabis.

Also, the facility should add significant growing capacity for Canopy at a time when the legalization of recreational marijuana in Canada is just around the corner and rivals **Aphria Inc.** ([TSX:APH](#)) and **Aurora Cannabis Inc.** ([TSX:ACB](#)) are expanding rapidly. Aurora Cannabis's flagship Aurora Sky project, for instance, is an 800,000-square-foot facility that's expected to have [an annual production capacity](#) of 100,000 kilograms of cannabis. Aphria is expanding its capacity to one million square feet under its ongoing expansion programs.

Canopy expects to start production at Bertrand's greenhouse by May 2018. Canada is expected to open the recreational marijuana market by July 2018.

Canopy gets an analyst upgrade

Encouraged by Canopy's deal with Bertrand, GMP Securities analyst Martin Landry upped his price target of Canopy stock to \$24.

Landry believes Canopy will have the "largest inventory available" when Canada legalizes recreational cannabis in July 2018. Landry also believes that Canopy is the "best positioned LP to make the transition from the medical to the recreational market." That makes sense, given Canopy's leadership

position in the industry and aggressive expansion moves, as evidenced by its latest deal with Bertrand.

Foolish takeaway

While Landry's price target points at 10% upside in Canopy stock from Tuesday's closing price of \$21.85 over the next 12 months, the stock could [soar much higher](#) if the recreational markets open as anticipated. Stay invested in Canopy.

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Date

2025/07/27

Date Created

2017/12/20

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