



Canopy Growth Corp. Stock: Is There Any Upside Left for 2018?

Description

Investors in [Canopy Growth Corp. \(TSX:WEED\)](#) stock has the new year party already going! Canada's largest pot producer was up 20% on Dec. 27 at the time of writing, adding to 195% gains for the year, making it one of the best-performing companies listed on the Toronto Stock Exchange.

Those who've missed the party this year are wondering if they should try their luck in 2018. Here are the main catalysts that I think will help you decide if you should bet on Canopy stock going forward.

Opening of recreational market

The main growth driver for Canada's marijuana stocks has been the planned legalization of pot for recreational use in the summer of 2018. Indications are that Canada's federal government and provinces are getting close to thrashing out all the modalities before the summer deadline.

One of the biggest roadblocks was removed earlier this month when an agreement was reached between the federal government and provinces over the sharing of revenue from pot sales. According to the deal, provinces will get 75% of tax revenue collected, while the rest will go to the federal kitty.

Once combined with a relatively low tax rate on legal cannabis, analysts expect this arrangement will make legal pot pricing competitive and force consumers to shun the black market.

Canopy's advantage

The opportunity in Canada's legal recreational marijuana market is huge with experts forecasting sales between \$5 billion and \$10 billion in a couple of years. But grabbing the market share will be the key for major producers, and that's where Canopy has the greatest advantage.

Canopy is aiming to expand its facilities, representing 3.2 million sq. ft. of indoor and greenhouse production capacity. Canopy, through acquisitions and partnership, has positioned itself to ramp up its sales once the market is opened.

It bought Mettrum Health in January 2017 and sold about 10% of its stake to **Constellation Brands**,

the third-largest beer producer in the U.S., which plans to sell cannabis-infused beverages in markets that allow the recreational use of marijuana.

The company has also established partnerships with leading names in Canada and abroad, with interests and operations spanning seven countries and four continents. It also 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.

Is Canopy stock a buy in 2018?

There is no doubt that after its two-fold surge this year, Canopy stock will struggle to repeat this performance next year. On these levels, there is a lot of speculative interest that will vanish at the first sign of trouble. But that risk is inherent in any high-growth story without the sales to back it up.

Given the Canopy's strength and its market position, I think this stock is the [safest bet](#) in Canada's marijuana space. If you want to try your luck next year, then Canopy is the stock to consider.

CATEGORY

1. Investing

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

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