

Canopy Growth Corp. Is up 193% in 3 Months. Is More Coming?

Description

The past three months have been incredible for investors of **Canopy Growth Corp.** ([TSX:WEED](#)), with shares increasing from \$12.76 to a high of \$44 before dipping back down to the current \$37.50. This is a 193% increase over the three months and leaves me with one question: is there more coming?

Back in November, [I'd recommended](#) that investors pick up shares of Canopy if they wanted exposure to this rapidly growing space. Despite the fact the stock is incredibly expensive, investors are valuing it like it's a growth stock that will ultimately grow into its high price.

There are two primary reasons for this run up in price.

The first is regulation and provincial action. It'll be legal to recreationally smoke marijuana in Canada by July, which opens a major market for companies like Canopy that have only ever been able to sell medicinal marijuana. However, despite federal regulation, each province had to create its own rules for the distribution of marijuana.

Ontario will allow specialty stores to sell marijuana, but no one can launch a dedicated store. Alberta requires a government-regulated distributor to be the wholesaler, as with its alcohol-distribution laws. Then there's New Brunswick, which is actually buying four million grams from Canopy and will allow pot stores.

Newfoundland and Labrador has also [reached agreement](#) to buy marijuana from Canopy. Further, Canopy is investing \$40 million in a facility in Newfoundland to grow marijuana. And the producer will be allowed to operate four retail outlets. In total, the province is expected to buy as much as 8,000 kilograms per year.

The other big reason for the price run up is that **Constellation Brands, Inc.** ([NYSE:STZ](#)) purchased a 10% stake in the company with an interest in producing cannabis-infused beverages. Constellation owns a multitude of brands, including Corona, Modelo, Svedka, and others.

I like this deal, not only because it provides a big investment in the company, but it also ties the two companies together. Constellation has the production and distribution facilities needed to launch a cannabis-infused beverage; it now has the supplier: Canopy.

With all of this news, we're left asking if there is more growth coming for Canopy. Honestly, it's hard to say, because it stopped following fundamentals months ago and is now operating based purely on speculation. Could it go higher? Of course. But there is also considerable downside if it experiences any sort of hiccup.

I believe Canada will be a case study for other major countries considering similar regulation. If it works, and Canada collects considerable tax revenue, it'll be hard for other countries to turn a blind eye. While I don't expect any sort of pro-legalization in the United States until the current administration

is out of office, Canopy will be in a prime position to play whenever Canada's southern neighbor gets active.

But marijuana is not the only major hyper-growth play on the market today. If you're looking for something else, The Motley Fool has something with you in mind...

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