



Marijuana Stocks: Is Canopy Growth Corp. a Buy Under \$40?

Description

Those who missed the 2017 rally in marijuana stocks are wondering if this is the right time to buy some of the top producers, such as [Canopy Growth Corp. \(TSX:WEED\)](#).

After rallying more than 300% in the past one year, Canopy stock has been through a little pullback recently. After touching a record ~\$44 a share early this month, Canopy is now trading at \$37.38.

Is this weakness a good entry point, or a sign of some turbulence? Let's find out why Canopy is the best and safest investment in the highly speculative marijuana sector.

Dominant position

Based in Smiths Falls, Ont., Canopy is the world's largest publicly traded pot company with a \$7.2 billion market capitalization.

During the past one year, Canopy has done many things right to get itself prepared for the legalization of recreational use of marijuana in Canada. It has got the backing of top U.S. liquor producer, **Constellation Brands Inc.**, which last year bought about 10% of Canopy's equity.

The company also consolidated its position in the industry by acquiring Mettrum Health in January 2017, as it aims to boost its output to 3.2 million sq. ft. of indoor and greenhouse production capacity. Canopy owns the industry's best-known brand, Tweed. It also exports dried cannabis products overseas.

The company has 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 a buy under \$40?

Canopy recently reduced its risk profile to a great extent after getting the backing of one of the largest Canadian banks, **Bank of Montreal**.

BMO co-led a six-million stock sale for Canopy on January 17, attracting more than \$600 million in demand mostly from institutional investors. Canopy sold nearly six million shares in the deal for \$34.60 apiece, fetching \$200 million, according to news reports.

This price tag should boost retail investors' confidence at a time when many analysts are raising a red flag due to extremely rich valuations of pot stocks.

If you're trying to find a good entry point to grab some piece of the action in the marijuana space, then this dip in Canopy stock provides a good opportunity. But entering at this stage when Canada is only months away from legalizing the drug for recreational use means that you should also be ready to absorb losses if things don't move ahead as planned.

The recent volatility in pot stocks suggest that the market is now [extremely sensitive](#) to negative news, such as any delay in legalization and a possible federal action in the U.S. against recreational pot use.

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