



Has the Opportunity for Canopy Growth Corp. Passed?

Description

Over the past year, impending legalization has helped to propel cannabis stocks such as **Canopy Growth Corp.** ([TSX:WEED](#)) to new highs. As we begin to move closer to that impending legalization date, many investors are now questioning if that opportunity — particularly for the market leader Canopy Growth — has passed.

Let's take a look at the stock and try to answer that question.

Here's the opportunity, and why Canopy is in prime position

Voting on legalization is set to happen next month, with a likely passage through the houses, and marijuana will become available for purchase by consumers sometime in August or September. In terms of opportunity, the current investment market for cannabis stocks has been compared with an investment in a liquor company at the end of prohibition.

To capitalize on that opportunity, Canopy is often regarded as the clear market leader of this emerging segment due to the following three reasons.

First, Canopy has a production capacity that far surpasses its competitors. Canopy's 2.4 million square feet of licensed growing space represents a significant boost over the company's growing capabilities from just earlier this year, and Canopy expects to continue increasing that growing space to at least three million square feet or higher before the end of the year.

By way of comparison, Canopy's primary competitors have less than half the capacity of Canopy.

Second, Canopy has, without a doubt, one of the most impressive and far-reaching distribution channels in the emerging sector. Securing agreements to serve different markets, provinces, or even countries has established a moat around Canopy that will only become harder to pierce in time.

Canopy already has access to the German market through its subsidiary, Spektrum Cannabis GmbH. There's also the recently announced acquisition of Annabis Medical, a Czech-based leader in the medical cannabis industry. That acquisition follows a recent supply partnership established with

Spanish pharmaceutical giant Alcaiber S.A.

There are also the agreements forged right here in Canada that Canopy has forged with both the provinces of Newfoundland and Labrador as well as New Brunswick. More recently, Canopy signed a multi-year agreement to provide cannabis to the Société des alcools du Québec.

Investors should expect more of these deals at both the domestic and international level as Canopy continues to flex its muscle.

Finally, Canopy is already thinking about growth into other verticals. Last fall, beverage behemoth **Constellation Brands Inc.** purchased a [10% stake in Canopy](#), and the purchase widely viewed as a means for the two companies to work together on developing infused beverages for sale where legal to do so.

With Constellation already serving the U.S., Canada, Italy, Mexico, and New Zealand, the possibilities for expansion once permissible by law are huge, and the cash infusion into Canopy will be used to further develop Canopy's growing capacity even further.

In my opinion, Canopy remains an excellent investment opportunity in an emerging industry.

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dafxentiou

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