Is Canopy Growth Still the Top Dog in Canada's Marijuana Industry?

Description

For a very long time, **Canopy Growth Corp.** (TSX:WEED) has been the top dog in Canada's burgeoning marijuana industry.

But thanks to recent moves by emerging competition, is that still a safe assumption to hold?

Canopy Growth was one of Canada's first licensed medical marijuana producers and one of the first companies to come to the market with an initial public offering (IPO) around the time that speculation began that soon-to-be-elected prime minister Justin Trudeau would be making a push to legalize cannabis use for recreational purposes.

Thanks to some pretty emphatic enthusiasm from both cannabis supporters as well as capitalists looking to profit from a newly minted industry, Canopy Growth saw the value of its share price and company absolutely soar from under $2 in 2015 to at one point noth of the $40 mark earlier this year.

As the company gained prominence as the pre-eminent marijuana producer in Canada, momentum would continue to take hold, as management asserted that it planned to follow an aggressive plan for expansion that would see the company sacrifice short-term profitability and cash flow in exchange for market share and grabbing a bigger share of the proverbial marijuana pie.

It's a strategy that makes obvious sense, as the marijuana market in Canada alone is expected to surpass $6 billion annually by early next decade, not to mention what are potentially even larger opportunities in international markets, like Germany, Australia, Italy, Chile, and maybe even the United States.

Viewed in that light, it becomes pretty easy to understand how taking a loss in the first couple of years of marijuana legalization in Canada might prove to be pretty insignificant in five or even 10 years from now if aggressive investments in marketing, research and development, and mergers and acquisitions were to pay off for companies like Canopy Growth.

But make no mistake—there are a bevy of licensed medical marijuana producers in the market already today that would also like to pursue a similar route to riches; it just so happens that owing to Canopy's sheer size, already boasting a market capitalization of $6.4 billion, the company is in an enviable position to be able to take advantage of its access to the capital markets.

A few months ago, it seemed like a sure thing that Canopy would be as good a bet as any to emerge as the leader within the Canadian market. That was until one of the company's competitors, and today the second-largest publicly traded marijuana producer, **Aurora Cannabis Inc.** (TSX:ACB), started making some pretty aggressive moves of its own.

It began with Aurora's announcement of the build of a world class, state-of-the-art grow facility in Edmonton, located conveniently close to the city's international airport.

That was followed by the company's acquisition of CanniMed in a multi-billion-dollar deal approved earlier this year; this week Aurora announced a proposed buyout of **MedReleaf Corp.** (TSX:LEAF) for $3.2 billion. Those moves, in addition to a 25% stake in the former Liquor Stores NA, were designed to take care of distributing product.

Bottom line

It's clear that management at Aurora is making a big push with legalization less than a few months away to give Canopy Growth a run for its money.

Aurora seems to be approaching this with a very business-like attitude, essentially paying up front to secure production, distribution, and, more recently, product.

It will be interesting to see if Aurora's moves to "pay for play" will indeed end up paying off or not, or whether Canopy's relatively more organic approach to market expansion will turn out to be the superior strategy.

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