



## Friendly Stock Prices at Canopy Growth Corp. (TSX:WEED)

### Description

True to the cannabis market giant's media advisory notice on July 4 warning that the following day would be a very busy one in the **Canopy Growth Corp. (TSX:WEED)** (NYSE:CGC) world, the marijuana growth stock's ticker edged up 3.5% higher back to the \$40 mark on Thursday, thanks to four corporate news releases that necessitated a revaluation of the shares.

First from the company's news line-up was the early morning announcement that the company has acquired an outstanding 33% stake in a 2017 joint venture, BC Tweed JV, from its partner for \$375 million paid as \$1 million in non-refundable deposit and another \$374 million is stock that will be released over three years.

Further, Canopy Growth will issue another \$20 million worth of stock in buying a certain option to acquire certain undisclosed future infrastructure from the joint venture partner. The venture owns a total of three million square feet in greenhouse production space that is being retrofitted into cannabis grow space. About 1.7 million square feet has already been licensed by Health Canada, but the company does not release potential annual production figures.

Effectively, if 33% of the JV has been priced at \$375 million, then the total equity in BC Tweed JV would be valued at over \$1.14 billion today, quite a huge sum considering that Canopy only paid around \$26.8 million in acquiring a 66.7% stake last year. However, the value the company added to the JV, including intellectual capital in marijuana operations, is also immense. The company is a strategic buyer in the transaction and a high valuation multiple easily applies.

The second news release was the announcement that it has entered into a 15,000 kilogram cannabis supply agreement with the Alberta Gaming, Liquor and Cannabis Commission covering the first six months of recreational cannabis sales after October 17, effectively making it a 30,000 kilo grams per annum deal, the biggest provincial marijuana supply deal ever announced in Canada to date.

In total, the company has inked a total of 61,500-kilo grams of cannabis per annum so far. That's a high-powered number indeed, and it will be interesting to know the average price per gram obtainable on these contracts to project total annual revenues potential. The numbers offer good support for a

bullish outlook on the stock.

The third press release was an informative update on the company's foray into Latin America. The company is eyeing a leadership position in the region and has set up a regional headquarters for the company's cannabis market development activities in Colombia through the creation of Canopy LATAM Corporation. The corporation will advance medical marijuana in a region that is home to over 600 million people, where marijuana legalization for medical purposes has engulfed the continent.

The other big takeaway from this piece is that Spectrum Cannabis Colombia, a subsidiary, will serve as a regional production and processing hub for Canopy LATAM. This subsidiary "owns a uniquely-positioned 126 hectare farm suitable for growing and future operations. This site receives a steady supply of fresh water from a natural lagoon, has favourable electricity rates, and is currently licensed for 42 hectares (4.5 million square feet) of production capacity for both psychoactive and non-psychoactive cannabis."

Last but not least, the company now has a new home in New Brunswick, where it announced plans for a new \$40 million investment in local cannabis grow facility. The provincial government has promised to also invest another \$1.3 million in the set up. Deals in which the local government has some direct interest do guarantee some policy consistency on local cannabis policy rollout into the foreseeable future.

### Investor takeaway

Good things are indeed growing at Canopy Growth Corp. as management work frantically to support the stock's lofty valuation after recently releasing [muted financial results](#).

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1. Investing

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2. TSX:WEED (Canopy Growth)

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