



Canopy Growth Corp (TSX:WEED) Gets a Huge \$5 Billion Investment From Constellation Brands, Inc. (NYSE:STZ)

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) announced today that beer maker **Constellation Brands** ([NYSE:STZ](#)) would be increasing its stake in the cannabis company to 38%. Last year, it was [announced](#) that Constellation purchased a stake in Canopy Growth of just under 10%.

Under the most recent deal, Constellation paid \$48.60 per share, which is a big premium from where the stock closed in the days leading up to the announcement. This additional purchase will provide Canopy Growth with about \$5 billion in proceeds, which will be vital to growing and expanding its presence around the world.

In its news release, Canopy Growth outlined the strategic objectives it has with this inflow of cash, stating that it will “strategically build and/or acquire key assets needed to establish global scale in the nearly 30 countries pursuing a federally permissible medical cannabis program, while also rapidly laying the global foundation needed for new recreational cannabis markets.”

Will Constellation become majority owner?

Under this agreement, Constellation will also have an additional 139.7 million warrants that it can exercise over the next three years, which would allow the company to increase its stake in Canopy Growth to over 50%.

While, initially, the deal between Canopy Growth and Constellation may have been seen as a partnership to develop infused beverages, clearly, we’re seeing something much deeper than that. Constellation has recognized the significant potential that exists in the industry and by potentially having control of one of the top brands in Canada, it can have a big say in how all that plays out and can boost its financials in the process with booming growth from the new industry.

While the two have ambitious plans for the future, Canopy Growth was careful to note in its release that it had no desire to run afoul of any U.S. laws by stating, “Both companies have no plans to sell cannabis products in any market unless it is permissible to do so at all applicable government levels.

Canopy Growth remains committed to not entering the U.S. market in any manner that would contravene U.S. federal laws.”

What does this mean for investors?

This is a big vote of confidence by Constellation, which essentially says that it believes in what Canopy Growth is doing, and that’s good news for investors. Canopy Growth has done a good job of keeping in line with regulations and avoiding the ire of the TSX.

Instead, the company has been strategic in its moves. Whether it has been [listing on the NYSE](#) or looking at other countries to expand into, Canopy Growth has been much more disciplined than some of its peers, as it has avoided making aggressive moves and acquisitions.

What I’ll be watching for is whether this is the start of more U.S. companies looking to get involved in the cannabis industry and potentially investing into other stocks on the TSX. What’s happening in the industry in Canada isn’t being unnoticed, and it’s likely only a matter of time before we see other big players from south of the border start jockeying for position.

CATEGORY

1. Investing

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2. NYSE:STZ (Constellation Brands Inc.)
3. TSX:WEED (Canopy Growth)

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