Is Canopy Growth Corp. (TSX:WEED) Stock a Buy After 40% Jump?

Description

It seems there is nothing that can stop **Canopy Growth Corp.** (TSX:WEED)(NYSE:CGC) from reaching new heights. The latest surprise came when Corona beer-maker **Constellation Brands Inc.** (NYSE:STZ) announced last week that it would inject another $5-billion in Canada's cannabis producer, increasing its stake to 38%.

Constellation Brands' new investment follows an initial purchase of about a 10% stake last year. This development has many positive dimensions for the Canopy Growth that's working to establish its dominant position in both medical and recreational marijuana markets globally.

Canopy Growth shares jumped 33% on the news, showing how excited investors have become about the prospects of the company, which is well-positioned to increase its sales once Canada opens up its market for the recreational pot in October.

Here is how Constellation Brands' increased commitment has changed the game in Canopy's favor in an industry that's consolidating fast and where not all producers will be able to survive.

Growth in global markets

The availability of new funding will make it easier for Canopy Growth to develop its medical products for the global markets. Growing in medical marijuana markets has been key to Canopy's future plans. Through its subsidiaries Tweed and Spectrum Cannabis, Canopy has a presence in 11 countries.

Canopy has established partnerships with leading names in Canada and abroad. It owns a pharmaceutical distributor in Germany and has entered joint-venture agreements in several countries, including Spain, Australia, Denmark, Brazil, Jamaica, and Chile. Many countries around the world, including Germany and Australia, have legalized medical marijuana and many others are set to follow suit.

"This investment, the largest to date in the cannabis space, will provide funds which Canopy Growth will deploy to strategically build and/or acquire key assets needed to establish global scale in the nearly 30 countries," Canopy said in a statement last week.

Recreational pot opportunity

On the recreational side, Canopy's new financial power makes the company a dominant player in Canada, which will become the first G7 country to allow recreational use of pot this year.

Spending on legal marijuana in the country is expected to reach $5.5 billion by 2022, while global consumer spending on cannabis will hit $32 billion the same, triple current levels, according to a report by BDS and Arcview Market Research.

By partnering with Constellation Brands, Canopy is in a great position to develop marijuana-infused beverages that could provide pleasure-seeking consumers a low calorie choice, opening another growth area.

The bottom line

Trading at $47.96 a share at the time of writing, Canopy stock is up 42% in the past month and 61% year-to-date. Despite these massive gains, I don't think it's a good idea to call a top for a company with such a huge growth market.

Constellation Brands' deepening involvement in the cannabis industry also shows that there is a lot of upside and untapped opportunity. If you're a long-term investor, I don't think you've missed the boat.

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Date
2025/08/19
Date Created

2018/08/20
Author
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