

Another Big Player Looks to Enter the Cannabis Industry

Description

A year ago, the hype in the cannabis industry was all about the prospect of legalization, when it might happen and how it would be implemented. Now that legalization is [done](#) and recreational sales are expected to commence in October, the focus has shifted onto edible marijuana. The expectation has been that sometime next year edible marijuana products will become legal. It wasn't included on the bill to legalize pot this year because of the added complexity and determining how to roll it out safely, and in particular, how to keep it away from kids.

In anticipation of that, we're starting to see big brewers partner up with cannabis companies to get working on beverages that will appeal to potential cannabis consumers. We've already seen **Constellation Brands** [increase its investment](#) in **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) and **Molson Coors** partner with **Hydroponthecary Corp.**, and that could just be the start.

Last week, it was reported that **Diageo plc (ADR)** ([NYSE:DEO](#)), the company behind brands like Smirnoff and Guinness, was also looking to get into the industry, and that it has held talks with various cannabis companies as it looks to find a partner as well. While there's no expected timeline or announcement, it's a good sign for the industry nonetheless.

Stocks soar on the news

Although Canopy Growth already has a partner in Constellation, the stock still got a big boost from the news and finished the week up more than 30% as it nearly hit \$60 a share. In just the past month, it has risen by more than 75% as we're starting to see excitement in the industry pick up again.

Aphria Inc. (TSX:APH) also got a big boost from the news on Friday, as it too was up by a similar amount for the week. Aphria has struggled mightily this year, and the news has helped investors recover some of their losses. News of a partnership with a big beverage maker could certainly turn things around for Aphria and send the stock soaring, but it's too early to tell whether that will happen with Diageo or any other company.

Having companies from other industries and around the world invest and show an interest in pot stocks helps validate the industry and reaffirms the growth opportunities that exist, which gets investors excited.

Why pot stocks still present a lot of risk

As good as this news was for the marijuana industry, investors still need to be careful when investing, especially as pot stocks have proven to be very reactive to industry-related news. If for some reason news were to come out that legalization of edibles would be delayed by a year, that could send stocks reeling in the opposite direction.

The danger is that there is a lot of speculation involved in these stock prices, which could put investors on a bit of a roller coaster. As many cannabis companies aren't yet profitable, many of these valuations

are based on sky-high expectations for the future, and it's difficult to assess whether they will ever be realized.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:DEO (Diageo plc)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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