Canopy Growth Corp (TSX:WEED) Scores Huge Pharma Deal

Description

Canopy Growth Corp (TSX:WEED)(NYSE:CGC) has been all over the news lately. Between acquisitions, international expansion, and huge stock price gains, this company has a lot going on. And recently, the darling of the cannabis industry added yet another headline-grabber to its collection: a new licensing deal with **CURE Pharmaceutical Holding Corp** (OTCMKTS:CURR).

The deal, which was announced on September 5, gives Canopy the right to use CURE's patented oral thin film with its cannabis products. The oral thin film is a proprietary technology that allows a patient to dissolve medication under the tongue. The mechanism of action is similar to dissolving a pill sublingually, but without the flavour issues and a much lower risk of rejection by the patient.

Under the CURE deal, which allows Canopy to use CURE's oral thin films to deliver cannabis-based medicine, there will be ongoing cooperation between the two companies. Notably, CURE will retain the right to manufacture and sell synthetic cannabinoids for pharmaceutical use.

A new product line

This deal is a huge breakthrough for Canopy, which until now has largely supplied "commodity" products like cannabis oils and raw cannabis flower. While there is some brand differentiation in the cannabis market, most products in the space are largely interchangeable, varying only by active ingredient concentration and flavour.

The CURE deal could change all that. CURE's oral thin film is a proprietary product. Backed by patent laws, competitors cannot simply come along and start marketing an identical competitor. This is markedly different from Canopy's product lines, which, as mentioned, differ only slightly from competing products.

Better product delivery

The oral thin film may also improve Canopy's ability to deliver medicine to patients. Thin films have a number of advantages over other delivery mechanisms. Unlike pills, they don't have to be metabolized, so they're absorbed better. Unlike needles, they are not difficult or painful to administer. And unlike smoked cannabis, they do not damage the lungs. All of these advantages point to the possibility of thin films being an ideal delivery mechanism for Canopy's product.

What it means for investors

The Canopy-CURE deal is significant to investors for a number of reasons.

For one, it gives Canopy a degree of protection in a highly competitive market. Most cannabis companies–Canopy included–have been posting negative earnings figures in recent years. This may have to do with the fact that their products are basically low-cost commodities not really differentiated from one another in significant ways. With CURE's blessing, Canopy may be able to develop a product line that's immune to this.

For another, it shows that Canopy is investing heavily in R&D. In the cannabis marketplace, innovation is crucial. It's not enough to sell the same products that other suppliers already have, as it makes one's products commodities. To succeed in this highly competitive market, newer, more efficient, patent-protected products are needed. And cannabis-dispensing oral thin films are a positive step in the right direction.

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