3 Things You Don't Know About Canopy Growth Corp (TSX:WEED)

Description

Canopy Growth Corp (TSX:WEED)(NYSE:CGC) is one of the most talked-about companies in Canada. Between the $5 billion **Constellation Brands Inc** investment, international expansion, and upcoming pot legalization, it's hard not to hear about this company.

But despite all the coverage Canopy is receiving, there are many things about it that most people don't know. And some of them are of interest to investors.

In this article I'll be covering three of the most interesting things about Canopy that most people don't know about–including one that will have big ramifications for investors when legalization hits in October.

I'll start with something that's good news for Canopy's international growth strategy.

#1: It has grow sites in seven different countries

Most Canopy investors probably know that the company is focused on foreign markets. Canopy operates in at least 11 countries, and has plans to increase its market share in all of them.

What most investors don't know is that Canopy actually has grow sites set up in seven of the 11 countries it operates in. These countries include Canada, Jamaica, Denmark and Australia.

Why does this matter to investors? Because cannabis is a highly regulated commodity, with a limited shelf life. Having grow sites on location means that Canopy can tap local expertise to create products that meet local standards.

Also, because its cannabis is being held near the local vendors, Canopy can deliver fresh product quickly and cut down on shipping costs.

#2: It's one of the lowest-cost cannabis producers

Recently, fool.com reported that Canopy was one of the lowest cost cannabis producers in the world. Author Sean Williams wrote that Canopy was producing cannabis for as little as $0.79 per gram before shipping and fulfillment–for a product that *sells* for $7 a gram or more.

Initially this surprised me, as it went against something I had observed before: that Canopy was having trouble generating positive net income. Previously I thought that this meant that Canopy was struggling with high cost of revenue.

In fact, it looks like the net losses are mainly attributable to growth and expansion efforts, which include building new facilities worldwide. If that's the case, then it's possible that Canopy is in a similar situation to **Amazon.com** a few years ago; it's *capable* of being profitable, but is electing to run temporary losses in order to expand.

#3: It may be working on a beverage

Last but not least, Canopy *may* be working on a cannabis-infused beverage with its partner Constellation Brands. Since last year, Constellation has made two investments in Canopy: one in 2017, which gave it a 9.9% stake; and another this past summer, which gave it a 38% stake.

When Constellation announced its *first* investment in Canopy, it floated the idea of developing a cannabis-infused beverage with its new partner. This idea may have been wise. While alcoholic beverage sales are mostly flat worldwide, (legal) cannabis sales are growing massively each year.

A cannabis-infused beverage could be the perfect sales injection that both booze and cannabis makers need: a new target market for beer makers, more brand recognition for cannabis makers.

How this will play out remains to be seen. One thing is certain, however: there are interesting times ahead for Canopy.

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