



Why Canopy Growth Corp. (TSX:WEED) Is the Amazon.com, Inc. (NASDAQ:AMZN) of the Marijuana Industry

Description

The entire marijuana market has been labelled as a bubble by many pundits. Most institutional investors wouldn't touch pot stocks with a barge pole, and for a good reason.

The volatility in the cannabis market is "profoundly unfathomable," and the euphoric party is probably going to end up in a scenario where most will suffer from a nasty hangover. While the opportunity to get rich quickly is there, so too are your chances of losing your shirt and, if you've invested on a margin, your pants, too. Many speculators have gotten filthy rich already, and for the ones that have cashed out, there will be other late entrants that'll be left to pay the bill.

Like it or not, every day we're getting closer to reaching the peak in pot stocks. And, as we know, no alarm goes off when this finally happens.

The insane volatility exhibited by **Tilray** stock, I believe, is an indication that marijuana investors are partying like it's 1999. To those who invested in tech stocks in the late 90s, the smell in the marijuana market is all too familiar.

Expectations are too high for a commodity in an environment where product differentiation will be nearly impossible. Legalization day may be seen as some positive event that'll catapult pot stocks further, but in reality, it's judgement day. And it's to be feared, especially by investors who've plowed cash into relatively unknown pot stocks without doing their homework. Most marijuana producers with no durable competitive advantages will probably cease to exist, like so many tech startups did during the dot-com bubble.

In the midst of the dot-com wreckage rose **Amazon.com** — a name that everybody hoped to own when they scattered their chips across various names on the roulette table. Looking back, nearly two decades later, and it's clear that Amazon was "the stock to own," but in the heat of the moment, it didn't get the attention it deserved with hundreds of other inferior firms setting up shops of their own.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is an established name in the bubbly space that I believe

will be the Amazon of the marijuana industry. Many small cannabis firms with no durable competitive edge are going to get wiped out come the big [marijuana market meltdown](#), and after the dust settles, Canopy will be one of the few behemoths that'll rebound and profit as the nascent industry matures.

Many analysts have come to an agreement that the next step for the marijuana market is consolidation. While inevitable, I think a massive crash will happen before a majority of the consolidation activities are conducted.

Of all Canadian marijuana producers, Canopy appears best prepared to deal with such an implosion with its impeccable stewardship led by Bruce Linton, its strong cash position, and, most importantly, its dance partner in **Constellation Brands**, which now has a sizable Canopy stake. These attributes, I believe, put Canopy head and shoulders above the competition, and come the next crash, Canopy will have plenty of dry powder on the sidelines to scoop up the assets of its borderline insolvent competitors at liquidation prices.

Foolish takeaway

With a large investment from Constellation Brands, Canopy looks like the only one with a dance partner. And when it comes time to tango (when the next cannabis crash happens), many other cannabis companies are going to see their market values go up in smoke, as Canopy gets a jolt from its biggest investor to ride out the rough waters.

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Author

joefrenette

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