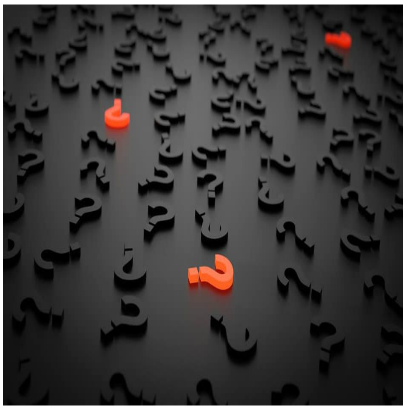

Is Canopy Growth Corp. (TSX:WEED) the Best Marijuana Stock to Start Your Pot Portfolio?

Description

Canadian investors who missed the rally in marijuana stocks over the past two years are wondering which cannabis companies are the best stocks to buy.

Let's take a look at **Canopy Growth** (TSX:WEED) (NYSE:WEED) to see if the stock is priced right to add to your portfolio today.

Early consolidation

Canopy Growth quickly emerged as the leader in the Canadian cannabis space and is positioned to be a major player on the world stage.

Management had the foresight to buy competitors early amid expectations that the Canadian government would follow through on promises to open the recreational market. Given the uncertainty, the strategy was certainly risky, but hindsight suggests the timing of some of the deals was just right.

The most important move was the acquisition of Mettrum Health in early 2017 for $430 million. The deal added several national brands, increased production capacity, cementing Canopy Growth's position as the leading player in the Canadian medical marijuana market.

The price appeared to be extremely high when the deal was announced, but it has turned out to be a very savvy move given the valuations now commanded by the leaders in the Canadian cannabis market.

International expansion

Canopy Growth was also one of the first cannabis firms to make a key investment in overseas markets. The company purchased a pharmaceutical distribution company in Germany that now serves as the hub for supplying medical marijuana patients in Europe.

In addition, Canopy Growth is positioning itself to be a leader in the attractive Latin American market.

The company has research and development facilities located in Chile and is setting up significant production capability in Colombia to supply medical marijuana patients in the region.

A foothold in Europe and Latin America is important, as governments move along the path of adjusting their marijuana regulations.

Recreational opportunities

The global medical marijuana market remains a top priority for Canopy Growth, but the company is also gearing up for the launch of the recreational market in Canada.

Last fall, Canopy Growth sold 9.9% of the company to **Constellation Brands**, the U.S.-based beer, wine, and spirits company. Constellation Brands increased its investment by $5 billion in recent months to take a 38% position in Canopy Growth. The companies are working together to develop cannabis-infused beverages.

Canopy Growth also sees opportunity in the retail side of the sector. Cannabis culture could go mainstream and that would spark an industry for branded goods. Canopy purchased Hiku Brands this summer as a move to tap the market.

Should you buy?

Canopy Growth’s stock is down from the 2018 high near $74 per share to about $63. This gives the company a market capitalization of more than $14 billion, which is extremely expensive for a business with a current annualized revenue of about $100 million and no profits.

As a result, investors who buy now must believe that the Canadian and global markets for marijuana will expand as predicted and enable Canopy Growth to grow into its valuation.

If you like the sector and can handle some volatility, Canopy Growth is probably the best bet to get exposure to the cannabis market. However, I would keep any new position small. The rally in the stock since the middle of August might be overdone, even after the recent pullback.

Another opportunity might be worth considering in an industry that is also seeing significant disruption.

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