



What Are the Chances Canopy Growth Corp (TSX:WEED) Is Still Canada's Largest Cannabis Company 5 Years From Now?

Description

Generally speaking, money tends to attract more money

The margin of safety that early “green rush” speculators were kind enough to afford **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) has unquestionably helped the company to invest and develop industry-leading production facilities as well as its burgeoning online store Tweed Main Street.

That early mover advantage also probably helped make it the leading candidate as the “safe bet” when publicly traded companies — who have to answer to their shareholders on quarterly conference calls — decided that they were finally ready and willing to get in on the action.

The watershed moment, of course, being when **Constellation Brands**, one of the world's largest alcoholic beverage makers, purchased a 9.9% stake in the company in October 2017 for a little under US\$200 million. A deal of that magnitude was obviously going to get the attention of others who had, up to that point, been watching on the sidelines.

The result was a sharp rally in marijuana stocks, including Canopy's share price taking off by more 400% in the 12 months that followed.

And the result was that as Constellation's initial investment proved so lucrative for the company's shareholders that in August of this year it decided to up that stake, [adding \\$3.8 billion](#) to bring the total value of its investment to 38% of the entire company.

If it hadn't done so already, by the time of its second stake in Canopy, Constellation had captured the imaginations — not only of the cannabis hardcores — of many large corporations, which began to take the opportunity very seriously.

The sharks are circling...

Since Constellation's initial stake last October, **Molson Coors Canada** bought a stake in [HEXO](#) and Shoppers Drug Mart, which is owned by parent company **Loblaw**, has already announced its

intentions to get involved on the distribution side of things.

Meanwhile, recent reports have suggested that another alcoholic beverage maker, **Diageo plc**, has also been involved in discussions, looking to enter the market.

But the problem for Canopy shareholders is that at a price tag north of \$14 billion and in a market that is still so young and undeveloped, the chances are that potential suitors, like the above companies, are probably better off buying a large stake in one of the market's smaller, lesser-known licensed producers, rather than ponying up for a smaller stake in the larger Canopy.

Which raises the question...

No doubt, up until very recently, Canopy Growth was the undisputed "big dog" among Canada's licensed marijuana producers.

But success breeds competition, and with several mega-billion multinational corporations beginning to take a closer look at what appears to be a very promising and lucrative opportunity, as nations around the world begin to embark on more liberal policies towards cannabis, one has to wonder how long the Smiths Falls grower will be able to continue to defend its current leadership position.

Records are, after all, made to be broken, and, as they say, "past performance is not a predictor of future success."

If I were looking to get into the cannabis market today, it would be with a smaller, lesser-known rival — maybe something like a **Vivo Cannabis** or even the larger **Cronos Group Inc.**

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/09/09

Date Created

2018/10/14

Author

jphillips

default watermark

default watermark