



Canopy Growth Corp (TSX:WEED): Should You Buy or Sell This Marijuana Stock Today?

Description

The long-awaited launch of the Canadian recreational cannabis market is finally here, and that has investors wondering which [marijuana stocks](#) are the best buys to capitalize on the opportunity and which ones should be sold.

Let's take a look at **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) to see if it deserves to be in your pot portfolio today.

Recreational market

Canopy Growth got a head start on many of its [peers](#) in preparing for the legalization of recreational cannabis in Canada, and that bodes well for investors in this ever-changing industry. The company was the first player in the sector to secure a partnership with a major beverage business when it sold a 9.9% stake to **Constellation Brands** for \$245 million in the fall of 2017.

Constellation Brands obviously likes what it sees, both in the leadership of Canopy Growth and the potential market opportunities. In August, Constellation Brands increased its ownership to 38% with an additional \$5 billion investment in the company.

Analysts suggest the edibles market, which would include cannabis-infused drinks, could potentially dwarf the smoker market in Canada. The country is expected to allow the sale of edibles at some point in 2019, and the drinks business would likely be one of the first to get the green light.

For beer, wine, and spirits companies such as Constellation Brands, there is good reason to get in the game. If consumers decide they prefer non-alcoholic cannabis-infused beverages over traditional drinks, the booze companies want to ensure the disruption in one part of their business is replaced by demand in the new offerings.

At the moment, the only other major partnership in the sector is a joint venture between **HEXO** and **Molson Coors Canada**. Their new company, Truss, should provide competition for Canopy Growth and Constellation Brands, but they are about one year behind with regards to developing product and

preparing for the opening of the market.

Canopy has also taken important steps to position itself to benefit from expected demand for branded goods as cannabis culture prepares to go mainstream. The company acquired Hiku Brands in the summer and just announced a deal to acquire U.S.-based hemp research firm Ebbu for \$425 million.

Medical market

Canopy Growth remains committed to the medical marijuana market in Canada and around the world. The company was an early mover in Europe when it bought a German pharmaceutical distribution company, and Canopy Growth also has operations or partnerships in other European countries as well as Australia and South America.

As governments around the world adjust their regulations regarding the sale of medical marijuana, Canopy Growth is taking the required steps to be a major player.

Should you buy?

At the time of writing, Canopy Growth trades for \$69.25 per share and has a market capitalization of about \$14 billion. That is extremely expensive when you consider the current revenue stream and that fact that the company still isn't profitable.

However, the entire sector trades at a crazy valuation and Canopy Growth is widely viewed as the market leader.

For new investors, there is a possibility the stock will move higher if all the hype about the market potential is correct. In fact, the current price could turn out to be a bargain in the coming years. That said, ongoing volatility and downside risks shouldn't be overlooked, especially in the near term.

If you'd bought the stock a year ago, it might be a good idea to book some gains. Canopy Growth is probably the best pick in the group right now, but I would keep the position small at this point.

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