



Here Is Why Canopy Growth Corp. (TSX:WEED) Has Pole Position As the Cannabis Race Kicks Off

Description

It finally happened. After years of agonizing debate, speculation, and face palm-worthy puns, recreational cannabis is legal in Canada.

Canadians will now be able to purchase legal cannabis for recreational use across the country. Of course, how you purchase said product will vary from province to province. For example, in Ontario consumers will be limited to online purchases if they wish to acquire legal cannabis. Over-the-counter retailers will only be allowed to operate starting in April 2019.

The first legal purchase of recreational cannabis was made in St. John's, Newfoundland. It occurred at the **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) Tweed store. where more than 130 customers had lined up by midnight. The first purchase was rung in by Canopy Growth CEO Bruce Linton.

Canopy Growth being the first seller to break the ice is fitting. The company was the first federally regulated, and publicly traded cannabis producer in North America. It is likely that the company will remain the [surest bet](#) in the young industry as the decade winds down.

Cannabis stocks have set a torrid pace since the later summer. Canopy Growth stock has climbed 89.5% over the past three months as of close on October 16. Shares are up 131% in 2018. The **Horizons Marijuana Life Sciences ETF** ([TSX:HMMJ](#)), which tracks the North American cannabis sector, has seen its share value increase 46% over that same period.

Canopy Growth kicked off this resurgence when U.S.-based **Constellation Brands** announced a \$5 billion investment in the company back in mid-August. This vote of confidence was the shot in the arm the industry needed and sparked a renewed run on the sector's many sought-after equities. Canopy's stock more than doubled in less than a month after the investment was announced.

Investors are understandably excited about legalization, but the rollout is expected to be somewhat chaotic. Supply [remains an issue](#) that will limit sales in the short term. New analysis from the C.D. Howe Institute forecasts that Canada's supply of legal cannabis will meet between 30-60% of demand

at current production levels. This problem will be especially apparent in the first half of 2019 before production ramps up in the third quarter.

At the end of the first quarter of fiscal 2019, Canopy Growth reported inventory of approximately 19,721 kilograms of dry cannabis, 14,895 litres of cannabis oils and 1,055 kilograms of soft gel capsules. The company increased its production capacity in September and brought its total licensed footprint to 3.2 million square feet. Canopy is in a fantastic position to ramp up production in 2019 and should remain one of the top suppliers across the country into the next decade.

Canopy Growth is expected to release its fiscal 2019 second-quarter results on November 14. This will not include any results post-legalization. Shares are pricey after the spike in late August and early September, but Canopy Growth is the cannabis stock to own for investors confident in the future of this fledgling industry.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)
3. TSX:WEED (Canopy Growth)

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