



Why Canopy Growth Corp. (TSX:WEED) Has Much Higher Times Ahead!

Description

Now that legalization has come and gone, Canada will be under the international spotlight as just the second nation to have cannabis legalized at the federal level. There will surely be hiccups along the way, and as the [appetite for speculation grows](#), we could see an elevated amount of volatility that's comparable to the boom and bust phase of any given IPO.

Judgement day (the first round of quarterly results in a legal environment) is finally coming, and investors will either grow euphoric beyond belief or be left extremely disappointed. Given the bar has been set ridiculously high, the probability of disappointment and a crash is high, even for some of the most promising names in the space with the best positioning in the pre-legalization era.

At this juncture, investors need to realize that the stakes are the highest they've ever been, and that a "sell the news" scenario may end up happening whereby all marijuana investors end up losing their shirts in an instant. The short-term is indeed hazy, and although the opportunity to get rich quickly is present, so too is the risk of getting caught holding the bag as speculators of less-than-stellar character cash-out at the expense of many longer-term thinkers.

There's no question that the short-term outlook in the marijuana market is horrifying. Unless you're comfortable with Bitcoin levels of volatility, you're probably going to be in for a shock as trading volumes skyrocket.

If you are willing to dollar-cost-average your way through the rough waters ahead, however, you may want to view the marijuana market from a longer-term perspective. In the first few years of legalization, there's going to be plenty of regulatory measures in place. As for the specifics, that's anybody's guess, but in the first few years, I think it's safe to say that promising recreational powerhouses like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) are going to enjoy less growth they would have if regulators weren't so hesitant about enforcing "minimal branding" rules to avoid potential hiccups in the first phase of legalization.

Regulators don't want minors smoking marijuana, but they really don't want people to take the roads while high. That's why you've probably seen many "don't drive while high" commercials on television of

late. Policing authorities are going to need a way to test cannabis intoxication, and there'll need to be rules regarding [when and where it's appropriate to use CBD](#), the non-intoxicating cannabinoid found in marijuana.

Moreover, we're likely to see a "paper bag" phase whereby all cannabis sold legally will be placed in a discrete paper bag with zero advertising or brand promotional materials.

How pot firms differentiate themselves?

The first legal marijuana purchase was made at the stroke of midnight in Newfoundland involved good-looking black metal-looking containers holding marijuana along with a very fashionable bag with a subtle "Tweed" logo on it. Canopy CEO Bruce Linton shook the hand of the first folks to buy cannabis legally, as Tweed hats were dispersed in the background.

The sale of branded swag will have the green light, and it appears that Canopy stayed within the guidelines, but I find it very intriguing that the company decided to go with high-quality packaging materials to get brand differentiation while simultaneously staying within the guidelines.

Quality collector tins, high-fashion bags, and promotional branded swag will get Canopy's brand noticed in the very early stages, but with nothing else to get the company's brand noticed, it's likely that every other cannabis producer will be playing the same game with unique packaging (purple caps, collector tins, etc.), swag, and all other differentiation initiatives that'll get producers noticed.

Canopy's branding prowess can only go so far with such stringent rules in place. But over the course of the next five years and beyond, one has to think that regulators will drop rules in the next phase, as worries are gradually put to rest.

Bottom line

The elimination of the "minimal branding" rule will allow Canopy to unleash Snoop Dogg and the branding expertise of Bruce Linton and company. By this time, I suspect Canopy would have already scooped up every established recreational brand out there, so if you're looking for a way to play the long game, I'd nibble away at Canopy on any dips!

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