

Legal Recreational Marijuana Sales Arrive in Canada: Is This the Right Time to Buy Canopy Growth Corp (TSX:WEED) Stock?

Description

The first few days of legal recreational cannabis sales in Canada have demonstrated strong demand and some shortages of supply.

This was expected, given the pent-up excitement and the sheer size of the market. Most pundits peg the annual Canadian cannabis revenue potential at more than \$5 billion.

Investors who missed the wild ride to this point are now turning their focus to the future and wondering which marijuana stocks might be the [best buys](#) to take advantage of the growth opportunities in both the Canadian market and overseas.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) emerged as an early leader, and many investors see the company as the one to beat as the broader cannabis market evolves.

Let's take a look at the current situation to see if Canopy Growth deserves to be in your [cannabis stock](#) portfolio today.

Canadian coverage

Canopy Growth secured its leadership position in the Canadian medical marijuana space in early 2017 when it purchased Mettrum Health. At the time, the \$430 million deal seemed expensive, but less than two years later, many market watchers would say it was a steal.

The deal provided Canopy Growth with additional national brands, important production capacity, and a major foothold in the emerging medical marijuana space. It also brought together two of the top management teams in this budding industry.

Later in 2017, Canopy Growth took another big leap forward in anticipation of demand for cannabis-infused drinks once the sale of edibles become legal in Canada. The company sold a 9.9% interest in the firm to U.S.-based **Constellation Brands**. The two companies have had a significant head start in Canada on the rest of the industry in both development and planning for the eventual sale of cannabis-infused drinks. Constellation Brands increased its stake to 38% in August.

Canopy Growth is also eyeing the opportunity for branded goods. With legalization removing the taboo around marijuana, there is the possibility that cannabis culture will bloom and lead to significant opportunities to sell branded goods. Products such as lockable purses are already hitting the market and there is really no limit to the creation of pricey accessories that are directly, or indirectly connected to the consumption of cannabis-based products. Canopy Growth acquired leading cannabis brand company Hiku Brands this summer with the intention of capitalizing on this segment of the market.

Global ambitions

Canada is getting all the attention right now, but the country of roughly 37 million inhabitants is small change compared to the potential opportunities in Europe and South America.

Canopy Growth owns a pharmaceutical distribution company in Germany and has operations or partnerships in other European countries. Medical marijuana demand is growing and expectations are high for the eventual opening of recreational markets across the continent.

In South America, Canopy Growth has established research and development facilities in Chile and production operations in Colombia that will supply medical marijuana to patients and customers in the region.

The recent deal to acquire U.S.-based hemp researcher Ebbu, is another indication Canopy Growth is eyeing the big-picture opportunities.

Should you buy?

Canopy Growth trades at \$63 per share, giving the business a market capitalization of roughly \$14.5 billion. That's extremely expensive based on any traditional metric used to determine the value of a company. As a result, investors should be careful when deciding how much money to allocate to the stock or the sector. All of the marijuana stocks are trading at scary valuations.

That said, Canopy Growth should be one of the companies that comes out on top when all the dust settles. There is certainly risk of a major pullback, and investors should expect ongoing volatility, but Canopy Growth might be an attractive pick if you like the long-term opportunity in the cannabis industry.

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