

## Alert: These 3 Companies Could Buy Canopy Growth Corp (TSX:WEED)

### Description

With **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC) shares down close to 40% since the stock peaked in mid-October, investors are starting to panic a bit.

Some bearish analysts say the carnage is only beginning, pointing to factors like outrageous valuations, over hyped expectations, and chronic shortages plaguing cannabis retailers. If leading pot producers like Canopy couldn't get it right despite having months to prepare, then perhaps the company will soon lose its lead over the competition.

In fact, fellow Fool contributor Joey Frenette thinks Canopy shares [could fall as much as 90%](#).

Or we can look at it another way. Canopy is the perfect acquisition target, especially after shares have fallen so much. It would take a far lower price to buy the company today versus six weeks ago. And even though Canopy is large in the world of marijuana, its \$15 billion market cap isn't massive when compared to the largest sin stocks.

Heck, bullish analysts say it's even possible [Canopy shares hit \\$100 each](#).

Here are three companies that could take a run at Canopy, an action that would likely lead to a significant short-term stock bump.

### Altria

**Altria Inc.** ([NYSE:MO](#)) is a logical suitor for Canopy Growth.

The cigarette business is fantastic. Customers are brand loyal and they quite literally get addicted to the product. Once the large investment made in a cigarette factory pays for itself, profit margins are succulent. Each year more and more people quit smoking, so the company responds by raising prices.

The only real problem for Altria is the lack of growth. It hasn't posted meaningful revenue increases for a long time, although it does manage to steadily increase profits. Marijuana would give the company a growth story for the first time in years.

The company could also use Canada as a training ground, testing various marketing methods to prepare for the real prize — marijuana legalization in the United States.

### Philip Morris

One issue with Altria acquiring Canopy Growth is its self-imposed geographic restrictions. When the old Philip Morris split into two companies in 2008, Altria kept the U.S. assets, while newly created **Philip Morris International Inc.** ([NYSE:PM](#)) got everything that wasn't in the United States, including the Canadian assets. Thus, it's easy to argue Philip Morris might be the more logical suitor.

Philip Morris might have its eye on an even bigger long-term prize than Altria — the worldwide marijuana market. Many nations in Europe have legalized medical marijuana, and it seems like full legalization could happen there sooner or later. Remember, there are more than 500 million people who live in the European Union. Although on a per capita basis, Europeans don't consume as much pot as Canadians, it's still a massive potential market.

And like Altria, Philip Morris could easily leverage its already significant sales force to sell cannabis.

## Constellation Brands

This one makes sense for one very obvious reason. **Constellation Brands Inc.** ([NYSE:STZ](#)) already owns some 38% of Canopy Growth after a series of investments. Additionally, Constellation owns a number of warrants that could boost its investment stake up to just over 50%.

Needless to say, Constellation is very excited about the potential of legal marijuana, and the company looks poised to offer cannabis-infused drinks once the United States fully legalizes pot. Like the tobacco companies, Constellation is seeing weakness in its main product lines.

Investors may have to wait a little while before Constellation Brands is ready to buy out its remaining stake in Canopy, as the company has stated it wishes to get its debt under control before engaging in any significant merger or acquisition talks. This will likely take a few years.

## The bottom line

At this point, it doesn't appear Canopy Growth is about to be acquired. But it could very well happen in the future, especially if the stock remains stagnant or it goes down even further. Altria, Philip Morris, or Constellation are logical suitors, but perhaps somebody else comes in with a sweet offer. It's certainly possible; the opportunity is just too enticing to pass up.

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1. NASDAQ:CGC (Canopy Growth)
2. NYSE:MO (Altria Group, Inc.)
3. NYSE:PM (Philip Morris International Inc.)
4. NYSE:STZ (Constellation Brands Inc.)
5. TSX:WEED (Canopy Growth)

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**Date**

2025/07/19

**Date Created**

2018/12/02

**Author**

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