



Is Canopy Growth Corp. (TSX:WEED) Stock a Safe Buy?

Description

Volatility continues to run wild in the marijuana stock industry and investors are trying to figure out which [pot stocks](#) are the safest bets heading into 2019.

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

Volatile market

A year ago Canopy Growth traded for \$18 per share. In the middle of October, it hit a closing high above \$73 and has since given back a good chunk of the gains. At the time of writing, investors can buy the stock for \$43 per share.

This is certainly not a stock for investors with a weak stomach, but in the sphere of marijuana companies, Canopy Growth is actually not that bad when it comes to big moves in the share price.

For example, **Aphria** just saw its stock tank 40% in two trading sessions due to a short-seller report that questioned the value of the company's recent acquisition in Latin America.

Strong base

Canopy Growth is widely viewed as the name to beat in the sector, as the company's management team appears to be making all the right moves. Canopy Growth acted early to buy rivals in an effort to get a leg up on the Canadian medical marijuana market and establish a foothold to prepare for the recently launched recreational market.

Canopy Growth was also the first Canadian cannabis producer to partner with a major beverage player. **Constellation Brands**, a U.S.-based wine, beer, and spirits company that owns Corona, bought a 9.9% stake in Canopy Growth last fall for \$245 million.

The company invested an additional \$5 billion in August to take its position to 38%. That deal was done at the equivalent of \$48.60 per share, so Constellation is currently under water on the

investment, but not by much given the strong pullback in the broader cannabis sector in recent weeks.

The two companies are working together to develop cannabis-infused beverages for the Canadian market once marijuana consumables are allowed for sale. That part of the market is expected to open sometime next near.

International focus

Canada gets most of the headlines, but Canopy Growth sees the largest opportunities in the growing global medical marijuana market. The company has an established presence in Europe through its German pharmaceutical distribution business and is building production facilities to supply patients in the region.

In Latin America, Canopy Growth has research and development operations in Chile and production assets in Colombia.

Should you buy?

The big investment from Constellation Brands appears to be a signal to the market that Canopy Growth is the real thing. The stock remains expensive based on its current revenue stream, and ongoing volatility should be expected.

However, Canopy Growth should be one of the companies that emerge as top global player once the market begins to mature. If you like the long-term potential for the marijuana industry, Canopy Growth is one name that deserves to be on your radar.

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Date

2025/08/25

Date Created

2018/12/05

Author

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