Is Canopy Growth Corp. (TSX:WEED) Stock the Top Cannabis Pick for 2019?

Description

The pullback in the stock prices of Canada's top cannabis stocks has investors wondering which companies are best positioned to deliver strong results in 2019 and beyond.

Let's take a look at **Canopy Growth** (TSX:WEED)(NYSE:CGC) to see if it deserves to be on your marijuana stock buy list.

Acquisitions

Canopy Growth has a track record of making key acquisitions in the sector at opportune times. The largest and most significant deal was the takeover of Mettrum Health. Canopy Growth acquired its competitor in early 2017 for $430 million. At the time it seemed expensive, but less than two years later the deal might actually have been a steal. Canopy Growth became the dominant player in the Canadian medical marijuana sector as a result of the purchase and still has the largest patient count.

The latest acquisition announcement is an agreement to purchase Germany-based Storz & Bickel, a vaporizer maker. The company is a global leader in the design and manufacturing of vaporizer devices. The deal follows Canopy Growth's purchases of Ebbu, a Colorado-based hemp innovator, and Hiku Brands, a leading cannabis accessories branded goods company.

The moves show Canopy Growth is planning to compete in all aspects of the cannabis market beyond the medical marijuana and current limited recreational sales segments.

Capacity

In October, Canopy announced it had increased its licensed production capacity by 1.1 million square feet to 4.3 million. The company has a 5.6 million square foot production platform, of which more than 75% is licensed by Health Canada.

This should help the company meet growing medical and recreational marijuana demand in 2019 and beyond.

Beverages

Canopy Growth is 38% owned by **Constellation Brands**, a U.S.-based wine, beer, and spirits company. The two businesses first hooked up in the fall of 2017 when Constellation Brands announced it would take a 9.9% position for $245 million. In August 2018, Constellation Brands decided it liked the potential of the partnership and agreed to invest an additional $5 billion at a price of $8.60 per share.

The companies are working together to develop cannabis-infused beverages. Canada is expected to allow the sale of edibles at some point in 2019 and the drinks market is viewed as an attractive target. As first movers in this segment in Canada, Constellation Brands and Canopy Growth could capture a significant part of the market. **Hexo** and **Molson Coors Canada** recently formed a joint venture, Truss, to target the same opportunity.

International

Canopy Growth is also investing to capture market share in the growing medical marijuana markets of Europe, South America, and Australia. The company already owns a pharmaceutical distribution business in Germany and is building European production facilities to supply the region. In South America, Canopy Growth has research and development operations in Chile and production sites in Colombia.

Should you buy?

The stock is down to $41 from the recent highs above $75 per share. The entire sector remains expensive and investors should anticipate more volatility heading into next year. However, if you are a marijuana bull and are of the opinion the global industry is going to be as big as predicted, Canopy Growth deserves to be on your radar today.

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