



Canopy Growth (TSX:WEED): 1 of the Best Marijuana Stocks to Buy

Description

The marijuana space is becoming big and confusing. There are several companies in Canada and the U.S. trying to win investor confidence in this nascent industry by putting out ambitious growth plans.

But if you're a long-term investor and are thinking of getting some exposure to this new growth area, then I highly recommend sticking with the big players, which have durable competitive advantages and the best chances to meet your expectations.

With theme in mind, I believe Canada's largest pot producer, **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), is your best bet. Here is why.

Growing operations

[Canopy](#) is one of the few weed companies that very early amassed the size and the market share in this new industry. What positions Canopy to deliver superior returns over the long run is its market size, capacity to ramp up production, and its vast international reach.

Canopy currently operates weed-growing facilities with over 2.4 million square feet of space. The producer has been expanding its operations quickly, which will deliver the potential to manage more than five million square feet of production space by next year.

With this market power, the producer is also consolidating its position in the market where some companies are looking to exit. In a development reported by *Bloomberg News*, Canopy was nearing a deal to buy **Acreage Holdings** in what would be the first major cross-border cannabis merger.

The deal, which could be announced as soon as this week, would be a major milestone for Canopy, as it will be able to bring one of the largest U.S.-based pot firms under its umbrella. Acreage has cultivation, processing, and dispensing licences or agreements with holders in 19 states in the U.S. It also manages a chain of retail stores called The Botanist.

As part of its plan to build an extraction and manufacturing facility in the U.S., a much bigger market for both medical and recreational marijuana, Canopy acquired a hemp licence in New York State

early this year.

Initiatives like this and the company's partnership with the **Constellation Brands** make Canopy a formidable player in the marijuana space and more appealing to investors looking for exposure to the U.S. cannabis market.

Constellation, the maker of popular Modelo and Corona beer, raised its stake in Canopy to 37% last August after investing about US\$4 billion with the option of taking majority control of the company in the future.

Bottom line

Trading around \$61 a share at the time of writing, [Canopy stock](#) has already surged more than 60% this year, benefiting from its leading position in the industry and due to its growing sales, which, according its CEO, will hit \$1 billion mark in 2020.

For many conservative investors, the stock may look too pricey after such a massive rally, but that perception may not be true for a company that's in its initial stage of growth. Canopy's smart deal activity and its position in the market suggest to me that its stock is well on track to hit an \$80 mark this year.

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