



Is Canopy Growth (TSX:WEED) Still the Best Cannabis Stock to Buy Today?

Description

It has been a quiet few months for the cannabis industry. After starting 2019 on a blistering pace, pot stocks have been consolidating. Since January 15, the Canadian Marijuana Index is relatively flat, up a mere 1%. Over the past three months, the index is down approximately 14% from its 2019 highs reached in mid-March. It is also worth noting that the index is still well below (30%) the euphoria reached last September.

The [best time to buy pot stocks](#) is immediately following large price dips and during periods of consolidation. Consolidation is healthy for the industry and is necessary before the next leg up. With that in mind, is industry leader **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) still the best in its class? Let's take a look.

Recent performance

In the industry, I tend to stick with the larger companies. Those who are best positioned to scoop up some of the smaller players in the industry. This distinction used to belong to the trio of Canopy, **Aurora Cannabis**, and **Aphria**. Over the past few months, however, the industry has shifted slightly.

Cronos Group has eclipsed Aphria and is now the third-largest TSX-listed pot stock. Likewise, **HEXO** is now nipping at Aphria's heels.

That being said, the dominant player in the industry remains Canopy Growth. Year to date, only HEXO (+98%) has surpassed WEED's 68% price jump. Likewise, over the past month all cannabis stocks are in the negative, mostly by double digits. Once again, Canopy has outperformed the group, losing only 6.81% of its value, second only to Aphria's small 1% loss.

Recent acquisitions

Canopy has also been actively engaged in strategic acquisitions. In mid-April, the company's stock soared on news that it had agreed to acquire **Acreage Holdings**. The deal was lauded by analysts and

was a very clever way of entering the U.S. market where cannabis remains illegal at the national level. The deal is complementary to its commitment to build a \$150 million hemp processing and production facility in New York State.

The company also made a rather [unique acquisition](#) when it purchased This Works in an all-cash deal with \$73.8 million. This Works is a leading natural skincare and sleep solutions company that has a loyal customers spanning 35 countries. The deal opens yet another venue for Canopy to expand its product base. It intends to launch a new line of skincare and sleep solution products infused with CBD.

These deals are examples of forward thinking. Canadian recreational cannabis is but one revenue stream. Combined with its tie-up with **Constellation Brands**, Canopy is quickly becoming one of the more diverse companies in the sector. This will be important, as there are signs of softening in the Canadian recreational marijuana space.

Warning signs ahead

Part of what has been holding pot stocks back has been a recent report from StatsCan that sales of legal cannabis are beginning to flatten. Sales in January and February of this year were flat relative to sales in September and October of 2018. It is important to note, however, that the first few months of legalization have been plagued by numerous logistical headwinds. From packaging to store openings, it hasn't been the smoothest of roll-outs.

It is for this reason that I am sticking with Canopy Growth as the best stock in the sector. It has kept up with the high flyers and has been less volatile when there are mini-crashes. Although investors aren't likely to see major impact on financials this year, recent moves towards diversifying operations make this pot stock the one to buy.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

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2. Editor's Choice

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