This U.S. Cannabis Producer Would Be an Amazing Acquisition Target for Canopy Growth (TSX:WEED)

Description

Front-running Canadian cannabis producer, **Canopy Growth** (TSX:WEED)(NYSE:CGC) has been making some innovative moves of late, positioning itself to take advantage of a plethora of potentially lucrative segments within the burgeoning marijuana industry. Against this backdrop, a top American cannabis company could make for a sweet acquisition target — or a major potential rival for the U.S. market.

Never mind the headlines: Canopy Growth is a market leader

Following the departure of CEO Bruce Linton, a flurry of headlines revolving around strategy set up an attractive value opportunity for cannabis investors who had been sitting on their hands. If you're new to cannabis investment, the world's largest publicly traded producer might be just the right starting place for you. Indeed, the direction the company is taking is more in line with a lifestyle brand than a mere grower of pot.

With operations in 12 countries spanning five continents, Canopy Growth has grown out of its entrepreneurial phase to become a mature business presence. By the end of the year, Canada will open the market for drinks and edibles, and Canopy Growth is an excellent position to supply that market. From chocolates to gels and vapes to beverages, a slew of new products is imminent, and Canopy Growth is ramping up to meet demand for what investors are calling "Cannabis 2.0."

Could this be the next American company to cut a deal?

With an acquisitions-hungry management style of its own, focused on synergistic cost-cutting and market penetration, **Curaleaf Holdings** (CNSX:CURA) is itself a major player in the U.S. cannabis scene. Headquartered in Wakefield, Massachusetts, and boasting a coast-to-coast American network, Curaleaf runs 11 processing sites fed by 13 cultivation sites and serving 45 dispensaries, straddling 12 states.

Why buy it? A big concern of Canadian cannabis is the one pointed out by Deloitte Canada: that legalization could take 24 months to normalize. With no clear criteria for Cannabis 2.0 set out, companies producing new cannabis products face a haze of confusion that their U.S. counterparts are unencumbered by.

In short, by buying a U.S. cannabis company with a focused market, a Canadian producer could skip the queue. A company with the kind of reach detailed above would increase Canopy Growth's market share, instantly expand its geographical and demographical reach, and help it become an even bigger player in the legal and medicinal cannabis industry.

This is where the acquisition of a U.S. cannabis producer like Curaleaf comes in. With healthy sales and revenues, Curaleaf is in itself a worthy investment with high upside potential. Its customer base is loyal and established, with over 150,000 registered patients using its products. While there are no hints of a buyout anywhere on the horizon, Curaleaf is making acquisitions of its own and could, of course, be a major long-term consolidator itself.

The bottom line

A maturing cannabis industry is likely to be marked by acquisitions, as companies consolidate into bigger corporations. Canopy Growth is in just the right position to incorporate smaller companies into itself, using synergies to cut costs and plug directly into established markets.

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