



Could This Canopy Growth (TSX:WEED) Spin-Off Be a Great Buy?

Description

Canopy Growth is the largest marijuana company in the world by market cap. The firm dominates the Canadian market and racks up revenues that outperform that of any of its peers. Canopy Growth may be one of the [better](#) investment options for those looking to profit from the marijuana craze, but one of the firm's subsidiaries, namely **Canopy Rivers** (TSXV:RIV), could be an interesting option to consider as well.

Canopy Rivers's business model

First, it's important to get one thing out of the way: Canopy Rivers is a separate entity from Canopy Growth. The former of these was originally founded in 2017 with the goal to facilitate Canopy Growth's progress within the marijuana sector by pursuing interesting investing opportunities. Last year, Rivers acquired its own stock listing, and given how different its operations are from that of its parent company, its prospects ought to be analyzed on their own merits.

Canopy Rivers's portfolio includes more than 18 companies, and the list is growing. What is striking about its portfolio, though, is the diversity of the companies within it. It includes firms that specialize in hemp and CBD extraction, retail distributors of cannabis products, pharmaceutical-focused companies, cannabis beauty products, cannabis-infused beverage products, and many more.

Canopy Rivers's business strategy has an advantage over many firms within the marijuana market since its success (or failure) isn't tied to a specific segment of the industry. Instead, a bet on Canopy Rivers essentially allows investors to have a hand in every broad segment of the marijuana market. As the sector grows, as it is projected to do at a fast pace, Rivers could post increasingly strong revenues and earnings if the companies under its umbrella are successful. Of course, that is a big if, but the strategy is definitely enticing.

Canopy Rivers has another advantage over similar companies in its industry: namely its partnership with Canopy Growth. Small cannabis ventures looking for funds know they will likely get much more than that with Rivers; they will also profit from a partnership, albeit not a direct one, with the largest pot company in the world. Thus, Rivers will likely continue to attract potential ventures, which is good news for the company.

Is it a buy?

There is no denying that Canopy Rivers's strategy carries a lot of risk. Venture capitalism is generally a high-risk, high-reward business in any industry, but in one as nascent as the marijuana sector, the risks seem even greater. Rivers could end up being a huge success provided it makes the right investments, but much less optimistic scenarios seem just as plausible at this point. In short, it may be a bit too early to pull the trigger on Canopy Rivers.

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