



Cannabis Investors: The One Stock That All Investors Should Own

Description

The cannabis industry is still a growing industry, and although tons of profits have been made over the last few years, it's no guarantee that all the companies will survive. As the industry continues to evolve, some companies are sure to thrive while others will lag behind.

Since it's still so early, picking winners is not so straightforward, which is why diversifying in the sector is so important. There is one stock however, that mitigates a lot of risk for investors, and due to its business model, is sure to grow along with the sector, making it a must-have investment for investors in the cannabis space.

The company is **Canopy Rivers Inc** (TSXV:RIV).

Canopy Rivers is the venture capital arm of **Canopy Growth Corp**([TSX:WEED](#))(NYSE:CGC). Back when Bruce Linton was the CEO, he saw a need for a venture capital arm, as there were lots of promising opportunities, but Canopy Growth was too big to focus on investing in them.

Instead, [Canopy Rivers](#) was launched and after flopping at its IPO, it has settled into its current trading range. To date, the company has made 18 investments in its portfolio. The portfolio is divided into three segments: joint ventures, royalty deals and other venture investments.

The joint venture segment has three investments in it, and Canopy Rivers expects to have 2020 attributable EBITDA of \$120 million from this segment.

The royalty part of the portfolio has four investments and is expected to do \$9 million in cash flow in 2020. The other venture investments have 13 total investments and have an estimated total worth of nearly \$200 million.

It's important to note that the estimated value of the other venture investments is based on the market price for shares of investments in public companies, and is listed as the cost price for investments in private companies.

In addition, the company also has around \$60 million in cash for future investments.

One main advantage of the company is the relationship it has with Canopy Growth, the world's largest cannabis company. Canopy Rivers has better access to deal flow from its parent, and it can attract better investors due to the access to distribution and strategic support it has.

Another advantage of the partnership with Canopy Growth is the global reach it has. Between the global connections and the synergies that arise between the two companies, Canopy Rivers is in an enviable position.

The company has really executed on its vision so far with investments in all types of cannabis related fields. From formulation and delivery, to equipment and fertilizer.

The investments are in a wide range of sub sectors which diversify the company's assets, with most investments in the \$5-20 million range.

To this point the financials aren't spectacular, like most cannabis companies, management is currently focused on building out its capacity in order to maximize potential returns. The focus has mainly been on sourcing the best deals and finding ways to increase its reach.

At a point when investors in cannabis stocks have become concerned with the market and competitiveness that exists, Canopy Rivers is setting itself apart.

One of the main reasons I think it warrants an investment, if you are looking for exposure to the space, is because it's different from the rest.

Due to the natural diversification that exists in Canopy Rivers' portfolio, it's highly likely the company will grow along with the entire cannabis industry.

Unlike individual producers who may fail and go out of business, Canopy Rivers is well diversified, so it would take virtually the entire industry collapsing for it to have major problems.

For this reason, I believe any cannabis investor should own Canopy Rivers. It's recently been trading at the bottom of its 52-week range, offering investors an attractive entry point.

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