Is This Cannabis Stock a Better Buy Than Canopy Growth Corp (TSX:WEED)?

Description

Canopy Growth Corp (TSX:WEED)(NYSE:CGC) garners much of the attention directed at the marijuana industry, and there are excellent reasons for that.

Canopy is the largest cannabis company in the world by market cap, has one of the highest projected production capacities in the industry, and is one of about a handful of companies that have supply agreements with every province.

However, there are other pot firms to consider, and one that has been making quite a bit of noise in recent months is **Curaleaf Holdings Inc** (CNSX:CURA).

Recent acquisitions

Curaleaf recently made a big move by acquiring **GR Companies** for $875 million in cash and stock. GR Companies is headquartered in Chicago and possesses 61 dispensary licenses, and 17 cultivation and processing licenses.

Chicago is a particularly attractive market; the state of Illinois allows medical uses of marijuana and just became the latest US state to legalize recreational uses.

This deal — which was first announced in July and should close by 2020 — will improve Curaleaf's already strong operations.

Curaleaf made another major acquisition earlier in the year. Back in May, the company agreed to buy Portland-based **Cura Partners** in an all-stock deal worth $1.27 billion.

Curaleaf will hold a total of 131 dispensary licenses, 20 cultivation sites and 26 processing facilities across 19 US states once all these acquisitions close.

Having such a widespread presence in the U.S. could pay rich dividends down the road. As the stigma around cannabis evaporates before our eyes, and marijuana laws are increasingly being put under the microscope, sales and revenues in the sector will continue to grow exponentially.

Curaleaf runs into some trouble

Back in March, the pharmacy chain **CVS Health** announced it would be selling some of Curaleaf's products in about 800 stores across 8 states.

While that was good news for Curaleaf, the firm was recently scolded by the Food and Drug Administration (FDA). The FDA sent a warning letter to Joseph Lusardi, president of Curaleaf.

In the letter, the FDA alleged that Curaleaf had been selling unapproved drugs, several of which were "not generally recognized as safe and effective" for the uses for which Curaleaf advertised them.

The FDA gave Curaleaf 15 days to take "specific steps" to correct these violations. This warning from the FDA led to Curaleaf losing its partnership with CVS Health.

This episode is a reminder of one of the biggest obstacles to marijuana firms operating in the U.S. Though the market is poised to continue growing, the strict laws and the relevant regulatory authorities pose a serious problem for firms looking to profit from it.

Cannabis companies essentially have to walk on eggshells to avoid stepping outside the bounds of the law.

While that is also true to some extent in Canada — as **CannTrust Holdings Inc** (TSX:TRST)(NYSE:CTST) recently found out the hard way — the Canadian landscape is currently less cutthroat from a legal standpoint.

Should you buy?

Federal laws in the U.S. surrounding various strands of cannabis will likely continue to be an issue. However, Curaleaf is one of the top two or three dispensaries by the number of retail licenses held and the number of stores owned.

The firm also has a wider presence across the U.S. than any of its peers. Curaleaf is clearly one of the biggest players in its sector, and it might be worth considering purchasing its shares.

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