Have Investors Overlooked This Weed Company's Brilliant Strategy?

Description

Canopy Growth (TSX:WEED)(NYSE:CGC) is back in the headlines once again, but this time the news is of a more positive tone. The pot grower will be snapping up Beckley Canopy Therapeutics, bringing the medical research operation fully under the Canopy Growth umbrella. This encouraging business combination deal will see the Spectrum Therapeutics brand further incorporated and will support its commercial activities across its active territories.

The move is a positive one and comes only a few months after the cannabis company acquired the European cannabinoid company C3 (Cannabinoid Compound Company). This gave Canopy Growth instant access not only to key European markets but also the registered drug dronabinol. The consolidation play helped to strengthen Canopy Growth's European strategy, as well as its moat in the pharma industry.

The Beckley Canopy buyout continues this strategy and marks a new phase in Canopy Growth's therapeutic segment. The potential applications for cannabinoid compounds are vast and could prove extremely lucrative for major pot growers, as could exposure to the European markets. To take C3's dronabinol as an example, the drug has many applications from appetite stimulation to combating nausea.

Canopy Growth is covering all bases

The move comes as major growers begin ramping up for the legal sale of edibles and other peripheral cannabis products comes online this fall, and provides an alternative to the American CBD market as a source of high growth. However, Canopy Growth also has a U.S. strategy, with its **Acreage Holdings** deal set to be triggered if and when our closest neighbour fully legalizes cannabis as well as hemp-processing facilities slated for seven U.S. states over the next year.

Fighting a cannabis war for dominance on several fronts like this might be a smart move for Canopy Growth, going all out on market penetration in support of a broadening economic moat. While detractors may find a cause for concern in over-reaching, or in the company spreading its operations too thin, rather than focus on a single niche within the marijuana space, investors looking to take a long position in a future world leader have as solid a choice as any here.

With more cannabis operations set to debut on the TSX index in the coming months, investors may be glossing over the groundbreaking deals being hammered out by big outfits like Canopy Growth in favour of the quick upside afforded by upcoming pretenders to the cannabis crown. However, with so much risk inherent in the space, weed investors with a wide economic horizon may want to go for the bigger players.

Indeed, new investors in Canopy Growth could be looking at a stock with gravity-defying properties. The new acquisition is also a strong play for Brexit bulls since it brings with it the remaining shares in Spectrum Biomedical UK, the commercial branch of Beckley Canopy in the United Kingdom — a territory which, in Canopy Growth's own words, is starting to develop into a "commercially viable opportunity."

The bottom line

While investors have focused on some of the negative aspects of the company, not least of which the recent departure of its CEO, Canopy Growth has been quietly growing something other than weed — a strategic presence in Europe. This move, combined with its preparedness to enter the U.S. upon full legalization of the green stuff, makes Canopy Growth the stock to watch if global domination suits your investment style.

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