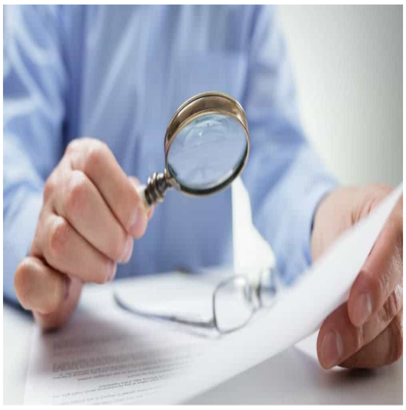

Should Canopy Growth (TSX:WEED) Stock Be in Your Self-Directed RRSP?

Description

Canadians are searching for attractive stocks to add to their RRSP portfolios.

As money earmarked for retirement, RRSP holdings tend to be longer-term investments as the objective is to build a substantial fund over time by investing in top-quality stocks that should steadily increase in value.

Let’s take a look at **Canopy Growth** (TSX:WEED)(NYSE:CGC) to see if it deserves to be on your RRSP buy list.

Emerging medical opportunities

Canopy Growth is arguably the leading company in the rapidly expanding global medical marijuana sector. The firm commands a top-two position in the Canadian market and is establishing a foothold in countries around the world where governments are going through the process of changing their cannabis policies.

As an example, Canopy Growth owns a pharmaceutical distribution business in Germany and is building European production capacity to supply rising medical marijuana demand in the region. The company also has research and development operations in Chile and production facilities in Colombia, to serve South America.

In the U.S., marijuana remains illegal at the federal level, but many states allow the production and sale of cannabis. At some point, it is anticipated that the U.S. will follow Canada’s lead and open up the market. Given the massive population base, the U.S. poses a significant opportunity.

Canopy Growth wants to hit the ground running when the U.S. changes its laws. To do this, the company has an agreement in place to purchase **Acreage Holdings** once cannabis is legalized federally. This would give Canopy Growth a head start on building scale, as Acreage is already present in more than 20 states, with production and retail operations.

Recreational cannabis

The launch of the recreational marijuana market in Canada hasn't gone as smoothly as companies and investors anticipated and this is a large factor in the steep decline in the share prices of the sector's top players.

Phase two of the market, which includes edibles and drinks, is set to arrive in the coming weeks. Investors are being more cautious, but cannabis bulls expect a new wave of demand to drive revenue growth.

Cannabis-infused drinks are expected to be a big hit and Canopy Growth has an advantage in this sphere, as well. The company is 38%-owned by **Constellation Brands**, a U.S. beer, wine, and spirits giant. Constellation Brands invested more than $5 billion in Canopy Growth and has made its mark on the leadership of the company in recent months, signalling its plan to take a larger role in deciding how and where Canopy Growth will expand.

Constellation Brands recently named its CFO as chair at Canopy Growth, following the exit of Canopy Growth's founder and CEO, Bruce Linton, in July.

Canopy Growth also just purchased a majority stake in sports drink marketer, **BioSteel Sports Nutrition**.

Should you buy Canopy Growth?

At the time of writing, Canopy Growth has a market capitalization of $9 billion. That still appears quite expensive, even after the major sell-off.

In the most recent quarterly report, Canopy Growth generated an operating loss of $92 million on net revenue of $90 million, so the road to profitability remains bumpy.

The stock trades at $26 compared to roughly $70 at the end of April. Despite the potential for a pop on a shift in sentiment in the sector, I would avoid adding Canopy Growth to your RRSP.

It might be a better pick as a contrarian bet for a small position in your trading portfolio.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date
2025/07/06
Date Created
2019/11/04
Author
aswalker