



Canopy Growth (TSX:WEED) Stock's Drake Partnership Pushed Stock 13% Higher

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) stock [may have bottomed](#). It rallied 12.7% soon after the company announced that it was partnering with Canadian rapper, Aubrey Drake Graham, to launch the More Life Growth Company, a fully licensed Toronto-based cannabis producer.

Under the agreement, Drake will own 60% of More Life Growth Company, while Canopy Growth will own 40%. Drake has a wide set of experiences from a spectrum of industries, including “music, television, film, fashion, sports, brand development, content curation and social and digital media strategy. Having launched numerous successful brands over the past decade, he is uniquely positioned to bring his innovative eye to the recreational cannabis industry,” stated in Canopy Growth's recent press release.

Drake will be a big help as a marketing voice. Some may not know how big Drake is. He has 38.7 million followers on **Twitter**. An article published last Thursday by *BNN Bloomberg* wrote, “In June, Drake surpassed The Beatles for having the most Top 10 songs on the Billboard Hot 100 in a single year. He also surpassed Michael Jackson in 2018 for the most No. 1 songs by a male solo artist with 38 chart toppers.”

This is not the first time that Canopy Growth has teamed up with celebrities. Snoop Dogg, Martha Stewart, Seth Rogen, and Evan Goldberg are also on the list.



It's not all rosy

At best, the announcement of the Canopy-Drake partnership is a marketing hype. The reality is that the Canadian cannabis producers are sitting on massive inventories.

Health Canada provides the latest verified high-level data of the demand and supply of cannabis in Canada. From January to August, the total inventories for dried cannabis had been in an upward trend and nearly tripled to a sky-high amount of 389,000 kg!

In comparison, sales of dried cannabis were a measly 13,000 kg in August. Even if the three-month sales growth rate of 35% were to continue for the next 12 months, it wouldn't be enough to eat up the existing total inventory. Not to mention that the cannabis companies will carry on their usual production to increase the inventory.

To be clear, total inventory includes finished and unfinished inventory, whereas the latter is cannabis that is not packaged, labelled, or ready for sale.

There's a similar situation for Canadian cannabis oil with inventories growing way faster than sales. It's obvious that there's an over supply of cannabis in Canada.

So, large-scale producers with global operations such as Canopy Growth will have a clear advantage with lower-cost production and international demand. Additionally, there's hope that the roll-out of Cannabis 2.0 products, including edibles, infused beverages, concentrates, topicals, and vapes, which are expected to be legal for sale next month, will eat up the supply.

Canopy's upcoming quarterly report on Thursday should shed some light on the management's outlook on the industry. If things go well, [Canopy Growth stock can soar to \\$40 real soon!](#) That's plenty of upside.

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