Could Canopy Growth's (TSX:WEED) Drake Partnership Bring the Stock Back to Life?

Description

The TSX has been on fire lately, setting record highs and rising through the month of November. But don't tell that to **Canopy Growth** (TSX:WEED)(NYSE:CGC) investors, who've seen their holdings stagnate while the rest of the market has been soaring.

Owing to a recent $1.23 billion loss, Canopy shares have taken a beating in the markets. Starting off the year at $39, they were down to $25 as of this writing — a 35% decline. Although the company's revenue growth is still high, it needs a major catalyst to increase shareholder value.

Apparently, it's looking hard for one, as it recently reached a deal with the pop sensation Drake. According to a recent *Financial Post* story, the company has partnered with the rapper on a joint venture called More Life Growth, of which Canopy will own a 40% stake. It's a strategy that could have certain brand benefits, given Drake's popularity. But will it be enough to revitalize Canopy's struggling stock?

What is More Life Growth?

More Life Growth is a soon-to-be-launched cannabis brand, 60% owned by Drake, with Canopy as the minority partner. In addition to owning 40% of the shares, Canopy will retain the exclusive right to run the company's facilities and act as its distributor in Canada.

Exact details of More Life's product offerings aren't yet available. However, given that it recently acquired a licensed cannabis facility in Scarborough, it can be assumed that it will be a conventional cannabis grow operation that sells marijuana under its own brand identity. Details on Drake's day-to-day involvement are scarce, but it appears he will serve as the "face" of the company and work to promote it as a brand ambassador.

Branding benefits

Drake's involvement in More Life Growth could help drive brand recognition for a Canopy-owned property.

Cannabis is a highly commodified product that faces significant price pressure from black market vendors. In such a market, it helps to differentiate yourself with superior branding. Canopy has already made strides toward that objective by opening Tweed stores across the country. Having a big name like Drake behind their products could help as well.

It's well known that Drake-affiliated products sell. The rapper's October's Very Own store in the Toronto Eaton Centre reportedly does $1,600 in sales per square foot annually (roughly $4.6 million for the entire store). It's likely that the Drake name is a big part of that success, although it's yet to be determined whether his star power will be enough to push cannabis at premium price points when customers are already complaining about the cost.

Foolish takeaway

Canopy Growth was long considered Canada's top marijuana producer, having attracted the most publicity and outside funding among its peers. Since then, its star has begun to fade, as several of its competitors have caught up with it on revenue and surpassed it on profitability. Perhaps borrowing star power from an outside source could help Canopy's stock rise again, but it's not a bet I'd make right now.

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