



Bank of America (NYSE:BAC) Says This Cannabis Stock Is Now a Buy

Description

Bank of America analysts haven't always been bullish on cannabis stocks, but due to the recent industry-wide decline, they're jumping in. On November 20, the firm upgraded shares of **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) to "buy," noting that consensus estimates are finally "achievable (even beatable)."

A big part of the upgrade was valuation. Since April, Canopy shares have lost two-thirds of their value. Bank of America called the current valuation "reasonable." That's not the most bullish adjective, but due to the massive growth ahead for the cannabis industry, a reasonable valuation could be a steal. Plus, Canopy has a multi-billion-dollar partner, **Constellation Brands**, which could help it turn into a marijuana behemoth.

If you're looking to capitalize on the [cannabis boom](#), now looks like the right time.

This market is hot

New data from Prohibition Partners, an independent cannabis research firm, shows that last year's hype may have still prove correct. If true, the recent declines in valuation could present long-term investors with screaming bargains.

According to Prohibition Partners, global sales for legal cannabis will surpass \$100 billion over the next five years. That's *billions* higher than previous forecasts. **Cowen**, for comparison, thinks the U.S. market alone should reach \$80 billion by 2030, an estimate the firm has raised several times.

Along with the \$100 billion expectation, Prohibition Partners included several other surprises in its report. It thinks that Europe will surpass North America as the world's largest cannabis market, that medical sales growth will outpace recreational sales, and that cannabis will be legalized on a federal level in the U.S. by 2024.

Global industry estimates remain highly optimistic. Therefore, the recent cannabis slump hasn't stemmed from a diminished outlook. Instead, it's simply sky-high valuations being brought down to

earth. According to Bank of America, now is the time to strike, but what makes Canopy the right bet?

The next level

Canopy is looking to ramp sales quickly over the next 12 months. This fiscal year, it's on pace to generate roughly US\$300 million in sales. Next fiscal year, that figure could approach US\$700 million. Long term, however, the upside could be much higher.

While the market remains focused on traditional cannabis flower production, the future will be full of value-added productions like vapes, edibles, and more. Canopy arguably has the biggest lead in one of the most lucrative segments of the market: cannabis-infused beverages.

Last year, beverage behemoth Constellation Brands, which owns worldwide-renowned brands like Corona and Modelo, took a \$4 billion position in Canopy. This gives Canopy an unprecedented level of funding, not to mention the guidance of one of the largest beverage companies in the world. And because Constellation is well versed at navigating highly regulated markets, it should be able to use its connections and influence to get Canopy a seat at the table.

Considering the global market for alcoholic beverages exceeds \$1 trillion, it's possible that we'll see cannabis-infused beverages outgrow all other forms of marijuana. That's a long-term bet, but if this future becomes a reality, Canopy will likely be the winner. At current prices, you're able to make that bet at an incredibly discounted price. Some smaller cannabis stocks have even more upside, but Canopy offers an exceptional mix of growth and value.

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rvanzo

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