



What Pot Stock Buyers Need to Know About This Cannabis 2.0 Portfolio

Description

By far, the most prominent of the Canadian cannabis stocks, **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC), has exceeded the market in investment. The company has even attracted big-name Hollywood actors like Pineapple Express star Seth Rogen and Snoop Dog. Famous partners are sure to [continue boosting the stock price](#), which is good news for shareholders.

In November, Canopy Growth announced a new partnership with Canadian rap musician Drake, who will purchase a 60% ownership stake in More Life Growth Co., a Toronto-based licensed subsidiary of Canopy Growth. Canopy Growth will still own 40% of the company.

Cannabis 2.0 product lineup adds to the excitement

On Thursday, Canopy Growth unveiled its Cannabis 2.0 product lineup at a Toronto media event. One of the most exciting products to view at the event was a cannabis-infused beverage sold under Seth Rogen's brand, Houseplant. Consumers can choose between two flavours: lemon and grapefruit. For investors drawn in more by their sweet tooth, Canopy Growth also displayed a line of scrumptious chocolate edibles, including a Tweed brand containing 1.8 mg of CBD and 2.5 mg of THC.

The mix between higher concentrations of CBD to THC should be a big seller among more health-conscious consumers. CBD balances the psychoactive effects of THC to produce safer, less destructive highs. A common criticism of today's marijuana is the higher concentration of THC differentiating it from the cannabis smoked 30-years ago. CBD-focused products realign the legalization mission with healthy living.

Cannabis 2.0 has been the long-awaited legalization and approval for edibles, beverages, and vape products containing CBD and THC. Canopy Growth CEO Mark Zekulin commented, "Since our first medical sale in 2014, we've focused on innovation and quality, and now we're expanding that with the launch of our game-changing recreational beverages, chocolates, and vapes."

Health concerns may rain on the parade, however. Vaping has gotten some negative press lately and has even been banned outright in Quebec after some users died from severe lung damage. Some of

the substances in the products, including Vitamin E, can be extremely harmful to consumers, particularly when heated at higher temperatures.

Luckily, Canopy Growth diversified its cannabis 2.0 portfolio beyond vaping products, and into digestible goods. Strategic portfolio balancing will undoubtedly help the company going into earnings in the next few quarters because its revenue will be less dependent on high-margin vaping products.

Foolish takeaway

Cannabis investors do need to [be aware of risks](#) if planning on increasing their positions in Canopy Growth. The share price on the stock may seem to be stabilizing after a steep drop in the value of 42.22%, but don't be deceived; Canopy Growth stock is still too risky to buy at the current share price of \$24.47.

Speculators and day traders drove the price of Canopy Growth stock up to obscene levels in 2018. By May 2019, the stock was just below \$66 per share.

The stock had some good things going for it in that it maintained a reasonable number of shares outstanding. Unfortunately, to maintain the funding necessary to finance acquisitions and fast growth in the race for market share, Canopy Growth took out more debt to compensate for fewer dilutive equity offerings.

Looking at the negative \$1.22 billion in levered free cash flow, shareholders will have to wait quite a while to share profits with debt holders. Marijuana investors should no doubt stay informed on the business development moves at Canopy Growth, including the company's marijuana 2.0 portfolio – with the understanding that the stock has still not reached a bottom.

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Date

2025/08/24

Date Created

2019/12/01

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