



## Cannabis Investors: Canopy Growth (TSX:WEED) Just Became a Strong Buy!

### Description

The cannabis trade is dead, at least according to most traders looking to make a quick buck off pot stocks like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC). For [long-term](#) cannabis investors seeking to hold for the next 10, 20, or 30 years, though, now is as good a time as any to initiate a position given that the cannabis bubble has finally had a chance to burst.

Now that there's less hype surrounding the cannabis space, alcohol kingpin **Constellation Brands** decided to increase its stake in cannabis kingpin Canopy Growth through the exercise of warrants.

### Constellation Brands' increased involvement in Canopy Growth makes WEED stock a must-buy

The cannabis trade may indeed be dead, with Canopy Growth now down around 70% from its all-time highs. However, the long-term opportunity still exists with Constellation's deep pockets and expertise readily at the disposal of Canopy.

The company now has what it takes to become a dominant leader in the budding industry still in the early innings of its growth story.

I'm a massive fan of Constellation's decision to scale into a larger position gradually over time and think hungry investors should seek to follow the alcohol behemoth by averaging into a position as well.

The cannabis industry suffered a dot-com-like bubble burst, and now that most pot stocks out there have lost a majority of their value, a few well-equipped firms, such as Canopy Growth, are well positioned to rise out from the rubble and provide meaningful growth to investors with the patience to hold for the long haul.

### Canopy Growth: A new man at the helm

Canopy has continued to burn through cash at an unprecedented rate. Still, with Constellation standing

in its corner with a now hefty investment and new CEO [David Klein](#) (Constellation's previous CFO), Canopy is one of the few licensed cannabis producers that have evolved to become more of an investment and less of a speculative gamble over the past year.

Klein provides the expertise that Canopy needs to take its business to the next level. With the now modest valuation, the Canopy Growth stock actually looks to have a pretty decent risk/reward trade-off.

At the time of writing, Canopy Growth stock trades at 1.6 times book and just shy of 20 times sales. On a price-to-sales basis, Canopy isn't exactly a cheap stock.

Still, younger Canadian investors should consider getting a bit of skin in the game with their Tax-Free Savings Accounts (TFSA's), as I have a feeling that Constellation has created a relative support level for what looked to be a free-falling knife of a stock.

## Foolish takeaway

A majority of speculators have moved on from the cannabis trade, which is precisely why investors should consider getting in now alongside Constellation Brands. Canopy Growth has both the expertise and pockets to emerge as a leader in the space.

With a potential U.S. legalization in the cards over the next decade and beyond, investors would be wise to stash the stock in their TFSA and just let it sit for decades at a time.

Stay hungry. Stay Foolish.

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