



## Canopy Growth (TSX:CGC): Mexico Could Legalize Marijuana in 2020!

### Description

Mexico is about to become the world's largest market for legal marijuana. Lawmakers must decide whether to pass a Supreme Court order striking down the marijuana ban by December 15. This news would have been huge for stocks like **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) a few years ago. This year, no one seems to have noticed.

That creates an opportunity for savvy investors to bet on an epic rebound in the world's largest cannabis stock before the market realizes what's happening. Here's a closer look.

### Mexico's marijuana market

Mexico is Latin America's second-most populous nation. Of the 129 million Mexicans who live there, an estimated 1.4 million smoke marijuana recreationally. Also, an estimated 200,000 Mexican families are growing weed illegally already. Production and distribution of marijuana is, unsurprisingly, big business that has been dominated by cartels and criminal enterprises.

Legalizing the substance would be a paradigm shift unlike any other. The move could create hundreds of thousands of jobs and generate billions in exports. Mexico could become the third nation to make marijuana legal on a federal level if this law is passed by the end of 2020.

According to New Frontier data, the recreational and medical marijuana sector in Mexico could be worth US\$2 billion (CA\$2.6 billion) right away and much more later.

### Canopy Growth's valuation

Canada's marijuana sector is already worth over \$2.5 billion this year. Meanwhile, the market for cannabis is between \$20 and \$30 billion in the United States. That means North America's total market potential is above \$25 billion already. Bear in mind that this sector is also rapidly expanding and could be worth a lot more in the next decade.

Canopy Growth, meanwhile, has [lost market value](#). The company is now worth only \$8.9 billion. That's despite the fact that it's the largest cannabis producer in the world and is likely to dominate this market.

The company also has \$2 billion in cash and cash equivalents on hand. That's worth roughly 25% of its market value. Canopy already has operations in Mexico, along with a workforce in other Latin American countries. The Canopy team can deploy this cash to acquire production facilities in Mexico if legalization materializes this year.

This creates the perfect opportunity for investors willing to make a contrarian bet on an unloved sector. Cannabis hasn't been a popular investment for years, and investors are wary of the industry after the bubble burst, but now there is tangible traction in the market that investors shouldn't ignore.

## Bottom line

Investor sentiment about Canopy Growth stock is about as bleak as it's ever been. The company is now worth just a third of its market peak in 2019. However, the underlying business has been boosted by higher consumption during the lockdown.

Now, a potential legalization of marijuana in Mexico could open even more opportunities. Mexico's market for recreational and medical cannabis could be just as big as Canada's, if not bigger. Investors should watch this story closely.

### CATEGORY

1. Cannabis Stocks
2. Investing

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