



## This Huge Canadian Cannabis Player Just Got Bigger

### Description

**Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) had gotten off to an [impressive start](#) in 2021. From Jan. 1 through mid-February, shares of Canopy doubled. That's not bad for a six-week return.

However, since then, shares have traded to the downside, giving up nearly all their gains from earlier this year. Today, shareholders can pick up Canopy Growth at what many growth investors may consider to be a good entry point.

Among the reasons for this optimism is Canopy's growth trajectory. The company remains one of the largest cannabis companies in Canada. It's growing both organically, and via acquisition. And today, there's a considerable amount of excitement around growth in latter department.

Let's dive into one deal I think investors should have their eye on right now.

### Latest acquisition: Another jewel in Canopy's crown?

Canopy recently announced a \$435 million acquisition of Toronto-based **Supreme Cannabis** (TSX:FIRE). This deal has been widely touted as a positive one among investors bullish on Canopy's consolidation of the domestic recreational pot market.

Supreme is one of the bigger players in recreational cannabis in Canada. Accordingly, this move appears to be a bullish one for investors banking on continued growth in Canada's recreational cannabis market.

Indeed, Canada's recreational cannabis market has grown considerably over the past year. The country's adoption of cannabis was slow at the start but has begun to pick up steam of late. If Canopy can indeed eat away at domestic market share and improve its margins, investors may really like this deal a few years down the road.

Supreme's value is that it's one of the few players with positive adjusted EBITDA numbers in recent quarters. The company's making steps to become profitable, and revenue continues to increase at a

rapid rate. Canopy is clearly looking for deals that positively impact its top and bottom lines. In this regard, it appears Canopy shareholders have a lot to like about this deal.

## U.S. cannabis market still the target investors are chasing

That said, this deal still focuses primarily on the Canadian market.

Investors bullish on U.S. legalization may not benefit from this deal all that much. Canopy has made inroads into the U.S. market in some respects. However, like most Canadian players, right now, Canopy is locked out of the lucrative THC market south of the border. Until regulation comes into play, and cross-border THC sales become possible, this will remain the norm across the sector.

Accordingly, investors in Canopy are still largely focused on how the company's performing domestically. This Supreme deal could boost the company's position in the Canadian market meaningfully.

That said, I remain cautious on most Canadian cannabis names right now. The U.S. is the market investors will want to chase from here. Accordingly, I'm on the sidelines with respect to companies like Canopy right now.

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