



Why Canopy Growth Is Still the Best Pot Stock

Description

Many times, one might later realize, size really does matter.

In the case of Canada's cannabis sector, **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) is the 800-pound gorilla in the room, which has helped stabilize the company's valuation relative to its peers recently. Shares of Canopy are down significantly from their peak. However, Canopy shares haven't decreased in the 80%-90% range like many of the company's competitors.

Canopy's acquisition strategy

There are a number of reasons for the relative stability in Canopy's stock price. The main reason is a result of organic growth as the primary focus of the company. Canopy's former CEO Bruce Linton said that he had a long-term focus — a focus was made evident in the company's acquisition strategy, or lack thereof.

While Canopy did acquire some companies, the company did not pay some of the ridiculous multiples that were being tossed around in late 2018. This long-term focus was also shown in the sheer size of Canopy's customer base for medical, and later recreational, pot not too long after legalization.

Marketing dilemmas

I'm definitely not bullish on the value of cannabis brands in Canada, largely because of the Canadian government's ridiculous packaging regulations. Someone has to explain to me how we can have Budweiser or Johnny Walker commercials and no "Tweed" commercials!

Somehow, Canopy Growth has recognizable brands in the marketplace. This is certainly a big deal, as most cannabis information can only be found online or through word of mouth (we're far from mainstream yet).

Constellation Brands

Canopy also has the massive equity backing of **Constellation Brands**, with over a billion dollars of say in the direction of the company. Canopy's management team is starting to look more and more like Constellation's.

It does appear that Canopy has matured as a company from a scrappy, grassroots, pop culture movement to a proper publicly traded company with a goal of profitability and enhancing shareholder value.

Bottom line

The Canadian cannabis sector as a whole has a lot of growing up to do. However, many companies can certainly look to Canopy as the "big brother" that has already made a lot of these steps.

The relative size of Canopy compared to its peers speaks volumes about the value Canopy has created since legalization by focusing on fundamentals, having a long-term perspective on organic growth, and having real industry partners.

Stay Foolish, my friends.

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