

THE BEER MAKER

BETTING BILLIONS ON CANNABIS



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Editor's Note: This report was updated as of May 2020 to reflect the most up-to-date information available.

Cannabis is just like any other industry, except it's going to be bigger and move faster than anything we've ever seen before.

Right now for investors, there's some great news – the cannabis market is still in its infancy.

Canada was the first G20 nation to legalize cannabis, and that just happened in 2018.

With still a lot of maturing to do, buying cannabis stocks at this very moment makes you a true insider. You are going to be able to buy cannabis stocks now that could lead to life-changing wealth.

In fact, companies outside of cannabis are rushing in and trying to make investments to take part in the next wave of wealth. For beer and spirit manufacturers, this is a particularly critical opportunity.

They can cash in on cannabis while also protecting their current offerings if cannabis ends up making a dent in beer sales. Also, by investing in cannabis, these more established companies have the money to create something new.

Cannabis-infused beverages.

Meet Constellation Brands

Constellation Brands (NYSE: STZ) wasn't always the well-known alcoholic beverage giant it is now.

Until Constellation moved into the beer and spirits categories in 1993, the company – known then as **Canandaigua Industries** – had been successfully producing wines for nearly 50 years.

The company got its start in the wine market when the company's founder, **Marvin Sands**, opened a small winery. It reached \$1.1 billion in net sales in 1997 and has experienced consistent growth ever since.

In 2000, Canandaigua officially rebranded to Constellation. By 2006, the company had become the largest wine producer in Canada after acquiring **Vincor International**.

After years of making investments and acquisitions, Constellation became the world's leading premium wine company, primarily selling wines priced between US\$5–US\$25, the fastest-growing segment of the **United States** wine market.

Eventually, Constellation began looking at opportunities in the beer and spirit markets. Constellation acquired the rights to import and market **Corona**, one of the most iconic beer brands in the world, eventually earning full licensing rights and control of a Mexican brewery.

Then in 2009, the company sold off its value spirits business to focus on building its high-end portfolio.

Constellation now owns 19 of the top 100 wine brands in the U.S., in addition to some of the most popularly consumed alcoholic beverages on the market like **Modelo**, **SVEDKA**, and **Robert Mondavi**.

In recent years, Constellation has made a huge push to be recognized in the high-end beer, spirits, and wine categories – acquiring dozens

of companies creating “craft-made” products, including the likes of the **Meiomi** luxury wine brand, **Ballast Point** brewers, and the **Casa Noble** family of tequilas.

It continues to focus on acquiring craft beers, wines, and spirits to dominate the high-end markets.

What Makes Constellation One of the Top Pot Stocks to Buy in 2020

By now, you know Constellation as the maker of Corona, but you may be asking what this beverage mega-corporation has to do with the cannabis market.

Well, on August 15, 2018, Constellation made the biggest splash in cannabis history after making a US\$4 billion/C\$5 billion investment in **Canopy Growth Corp** (NYSE: CGC).

That influx of capital instantly became the largest single investment ever made in the cannabis market and equipped Canopy to become the “King of Cannabis” in Canada and around the world.

But there’s something else that makes Constellation one of the most lucrative pot stocks out there.

What Constellation offers that other cannabis companies don’t – outside of **Innovative Industrial Properties Inc.** (NYSE: IIPR) – is a dividend.

Dividends are great because they are versatile and can help investors during turbulent markets.

For example, you can use the dividend to supplement your income, effectively turning it into money in your trading account that you can cash out or use to buy more cannabis stocks.

If your trading service offers it – and most of them do – you can also put those dividends into a Dividend Reinvestment Program (DRIP).

With a DRIP, your dividends will automatically be used to buy more shares of the company, and you won't have to pay a dime for them.

Looking ahead, Constellation is playing the long game to become a “Dividend Aristocrat,” which is a company that must have a minimum of one dividend increase annually for at least 25 years.

Being on that list carries a lot of weight with risk-averse investors.

For instance, the Retirement System of **Alabama** has 287,130 Constellation shares, which clocks in at upward of \$47 million worth. When you have this kind of backing, it helps bring a lot more stability to stocks.

Constellation is a stable business and has a fixed infrastructure and multiple business relationships to leverage.

And it now has the assets and logistical wherewithal to become the biggest name in the marijuana market, one that will continue to grow at high rates going forward.

The Future of Cannabis-Infused Beverages

The investment in **Toronto**-based Canopy Growth was a wise decision on several levels, even if there were a few bumps in the road.

And with Constellation taking a more active part in the daily operations of the company, Constellation can help turn Canopy profitable.

Adult-use cannabis is fully legalized in Canada, whereas the U.S. is still grappling with descheduling cannabis on the federal level.

With its investment in Canopy, Constellation is not only looking to be a disruptor in the beverage space but a disruptor in the cannabis space with its expert beverage development.

Beer consumption in the U.S. has been declining consistently for the past five years, along with alcohol use in general.

But, you guessed it, cannabis consumption has been increasing over that same period of time as more and more states legalize medical and adult-use cannabis.

If Constellation can't keep beer sales up, they have a backup plan in Canopy, especially knowing that cannabis use will continue to rise as Canada 2.0 rolls out and more and more states in the U.S. legalize like we expect them to.

Providing THC- and CBD-infused beverages could be the ace in the hole Constellation needs. On November 25, 2019, Canopy officially received its first operating license for a massive beverage facility ahead of Canada 2.0.

And as of March, consumers in Canada can purchase Canopy's line of cannabis-infused carbonated beverages, Houndstooth & Soda, under its Tweed brand.

Other well-known beer companies like **Molson Coors Brewing** and the owner of **Budweiser** are already researching the possibility of cannabis-infused beverages, while some, like **Lagunitas**, have jumped in head-first.

Constellation is one step ahead of these other companies – it owns a 38.6% stake in Canopy, so it already has skin in the game and exposure to the cannabis market. It has the first-mover advantage in marijuana beverages just as the market takes off.

The company is already looking ahead to the future, and it has sold off some of its wine brands that retail for under \$11 so that management can focus on selling more lucrative cannabis-infused adult beverages.

Constellation's \$4 billion investment in Canopy Growth means that 25% of the company's tangible assets are now in the cannabis industry. This is larger than its spirits business. It also represents an excess of 55% ownership in Canopy once all warrants are exercised.

For a major beverage company, the biggest profit opportunity is clearly in the cannabis-infused beverage market.

Infused drinks like sodas, sports drinks, and flavored water are already growing in popularity. The global sales of cannabis-infused beverages in 2019 are on track to surpass \$200 million – and by some estimates, could grow to 10 to 20 times the market size of flower and concentrates.

By 2025, experts project the cannabis-infused beverages market to reach \$2.8 billion.

Constellation Brands: The One Cannabis Stock to Own Forever

When people talk about investing in cannabis companies, they still tend to generally ignore Constellation.

Overall, STZ is a stock to buy more and more of when your wealth increases. When you see the stock price dip, it's great to build an even bigger position.

And while newer investors like to focus on the share price and say it's expensive (as we write this after the effects of the coronavirus hit the stock market, Constellation's stock price at last close sits at \$164.60), that doesn't matter. Focus on accumulating shares of a quality company, and it will add up over time.

Knowing the difference between a company that's worth your hard-earned money and one that's destined to struggle is difficult, but it's also exactly why we're here to help investors like you.

Make no mistake, this is not a stock to trade. It's a stock to buy more and more over time. It's a stock you can retire on, and one that could put your grandchildren through college.

You are going to want Constellation in your portfolio forever.

To your investing success,

The Institute

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1125 N. Charles Street, Baltimore, MD 21201
Phone: 866.260.0361

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