



## 1 Safe Way to Play the Boom in Marijuana

### Description

Marijuana stocks are extremely risky right now after the huge run they've had over the past year. Only fearless investors or the most speculative of traders would consider picking up shares of Canadian pot stocks such as **Canopy Growth Corp.** ([TSX:WEED](#)) or **Aphria Inc.** (TSX:APH) right now.

If you're an investor and not a speculator, then it can be incredibly difficult to sit and wait on the sidelines while everyone's making a fortune from trading pot stocks over the short term.

As a long-term investor, you've got to remain disciplined. Think back to the tech boom of 1999. Everyone was throwing money at tech startups, and once the bubble popped, a ton of people lost their shirts.

It's a scary play right now, and many pundits believe that marijuana stocks are today's version of the tech bubble. But is there any way that a safe long-term investor that cares about value and margin of safety can benefit from the boom in marijuana?

### **Loblaw: A safe way to profit from the booming marijuana sector**

**Loblaw Companies Limited** ([TSX:L](#)) is Canada's leading grocer and is considered to be a defensive stock that safe investors can comfortably hold during economic downturns. The stock is trading at a huge discount to its intrinsic value right now because many bullish investors have dumped defensive names in favour of cyclical ones.

What does this company have to do with the marijuana industry?

Shoppers Drug Mart, a subsidiary of Loblaw, formally applied for a license to produce medical marijuana in the past, but its intent is to just be a distributor. I'm sure you're familiar with Shoppers Drug Mart; it's the largest pharmacy chain in Canada. The management team is getting serious about becoming a leading marijuana distributor.

Once marijuana is legalized, Shoppers could be the go-to location to obtain marijuana for medical or recreational purposes. Galen G. Weston, CEO of Loblaw, stated that he supports the push toward the

sale of marijuana from pharmacies.

Shoppers Drug Mart is pushing hard to become a distributor of medical marijuana, it is a pharmacy, after all, but I think the company will benefit greatly from the recreational market as well once the drug is legalized across Canada. Many other retail chains have been skeptical about becoming distributors of marijuana, but the management team at Loblaw seems to be all over this opportunity. Because of this, I think Loblaw is a fantastic way to play the boom in marijuana without taking on the huge amount of risk and volatility involved with an investment in a producer.

Even if Shoppers Drug Mart doesn't become a leading Canadian marijuana distributor, there won't be much, if any, downside risk, because the company is still a very solid defensive name that I'd buy even if future marijuana distribution prospects were taken out of the equation.

Stay smart. Stay hungry. Stay Foolish.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:L (Loblaw Companies Limited)
2. TSX:WEED (Canopy Growth)

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