



Marijuana's New Kid on the Block: MedReleaf Corp.

Description

Something very exciting happened last week: the marijuana industry saw a new player enter the public markets. **MedReleaf Corp.** (TSX:LEAF) completed the Initial Public Offering (IPO) process and began trading on the Toronto Stock Exchange.

The company, which is in the business of producing medical marijuana, focuses on producing high-quality products. According to the company's website, MedReleaf is the only company in the marijuana industry to hold an ISO9001 certification. ISO stands for International Standards Organization. The organization grants certifications across the globe and recognizes companies which adhere to higher operation standards in everyday tasks. This certification is a good thing for consumers.

Last Wednesday, shares IPO'd at a price of \$9.50 and began trading around the \$7.50 mark. Things clearly did not get off to a great start. The company eventually recovered and closed the week at \$9.20. While IPOs in the marijuana industry have typically given investors reasons to get excited, let's not forget what this flop could mean for the industry.

During the technology bubble, IPOs were hitting the market on a regular basis, and things were very exciting for everyone. As long as the stock traded up, it translated to demand for the product, and investment banks continued to bring the next IPO to market. In the case of MedReleaf, the demand simply wasn't there, and investors who partook in the IPO lost money on the very first day. It seems that investors have had enough of this industry.

None of Canada's big banks were listed on the press release issued by the company on Wednesday. Instead, companies like GMP Securities and Clarus Securities were involved in the IPO process. Although both outfits are well known and well run, the lack of excitement at the time shares opened for trading was obvious.

While investors may be thinking one of two things, it is essential to be cautious either way. First, for those thinking that the company may be a diamond hidden in the rough, it is essential to do a thorough financial analysis prior to investing. Investors need to understand the capacity (or potential) of this company. Second, for investors thinking that the industry is at a point of reckoning, understand that the

unlocking of potential may not come for at least another year or more. As investors are aware, the Canadian government will only legalize the use of marijuana at some point in the summer of 2018.

Until the market opens, investors may be the victims of large fluctuations in the share prices in many of these names. As always, the higher the potential reward, the higher the risk.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/25

Date Created

2017/06/12

Author

ryangoldsman

default watermark

default watermark