



Why MedReleaf Corp. Could Become a Leader in Canada's Growing Medicinal Marijuana Market

Description

Most of the focus surrounding marijuana stocks today centres on legalization of the drug for recreational use, which is expected to become official as early as July. This only makes sense, as use of marijuana for recreational purposes is expected to be nearly 10 times the size of the medicinal market.

Yet what may be lost in all of this is that the medicinal market alone is expected to grow in Canada from \$345 million annually to \$1.3 billion over the next six years. That works out to be 24.7% growth annually.

Not to mention that other developed nations, most notably Germany, Brazil, and Australia, appear to be following Canada's lead in terms of liberalizing restrictions around the drug for medicinal applications, providing an opportunity for international expansion.

MedReleaf Corp. (TSX:LEAF) currently owns a licence to produce medicinal marijuana for sale to Canadians with a prescription from their doctor.

The company generated \$40.3 million in sales in fiscal 2017 — an impressive 109% increase over 2016 on the back of 3,668 kg in shipments, which was a 117% increase over volumes shipped in the year-ago period.

Those volumes represented 18% of the total market for medicinal marijuana, which is particularly interesting when you consider that MedReleaf, with a market capitalization of \$1.03 billion, represents less than 13% of the market capitalization of the entire Canadian Marijuana Index.

Part of MedReleaf's outperformance might be explained by the idea that its customers are fans the company's product.

MedReleaf has, on several occasions, been recognized by the Lift Awards, which honour excellence in marijuana strains. MedReleaf won the award for “Top High-CBD” and “Top Sativa” in 2016 and won “Top High-CBD” and “Top Indica” in 2015.

Market-leading customer satisfaction can be seen also in the fact that MedReleaf patients, on average, consume 1.35 grams per day versus the Canadian national average of 0.75 grams per day.

The opportunity for medicinal marijuana and MedReleaf

In light of the growth MedReleaf is experiencing in its medicinal business, keep in mind that only 10% of licensed physicians are currently prescribing marijuana for patients.

More widespread acceptance of the medicinal properties of marijuana should increase as the drugs stigma is eliminated through legalization, and one can expect that over time physicians will be increasingly more comfortable prescribing MedReleaf’s products to patients. Particularly interesting are some of the company’s newer products to market, oils and creams, which contain low amounts THC, meaning that patients receive the medicinal effects of the drug without the accompanying “high” feeling.

The sky is blue

All this goes without mention of the massive recreational market that MedReleaf still stands to gain from.

As a federally licensed marijuana producer, MedReleaf should have a head start on the competition when legislation is finally announced to legalize recreational use, as it’s largely expected that the provincially controlled distribution channels will be sourcing their supply through only those marijuana producers holding a licence to grow from Health Canada.

With a supply deficit forecast for next July, MedReleaf is expanding to meet oncoming demand by way of a 210,000-square-foot facility expansion that is expected to more than quadruple the company’s current production capacity.

If MedReleaf is successful in capturing a share of the recreational market in line with the current success of its medicinal products, it presents an opportunity for investors that would be very difficult to pass up.

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