



Aphria Inc. to Be Shoppers Drug Mart's Cannabis Supplier: Time to Buy Loblaw Companies Ltd.?

Description

Aphria Inc. (TSX:APH) announced plans to become a supplier of medical cannabis to **Loblaw Companies Ltd.'s** (TSX:L) Shoppers Drug Mart. Assuming Health Canada gives Shoppers Drug Mart the green light, cannabis could be available to Canadians through an online platform, since regulations still prevent the drugstore chain from selling the product at its brick-and-mortar locations. This is a huge positive development for Aphria and a gigantic leap for Loblaw, which will likely start selling cannabis in its stores some time following legalization day assuming all goes well.

Back in April, I'd stated that Loblaw was [a safe way to play the legalization of cannabis](#) for investors who didn't have the stomachs for highly speculative cannabis stocks. Shoppers Drug Mart has been aggressively pushing to sell medical cannabis for quite some time now, and the recently announced supplier agreement is just the first step to becoming a major cannabis distributor in the legalization era.

Shoppers Drug Mart: A medical cannabis dispenser in the near term and a recreational dispenser in the long term?

I believe regulators will eventually become more flexible in time. A few years down the road, Shoppers Drug Mart could be a quick and convenient way for both medical and recreational users to obtain cannabis.

As of right now, "recreational has not been part of it," said Vic Neufeld, Aphria CEO, when highlighting discussions of the recent supply agreement. Shoppers Drug Mart is a pharmacy chain first and foremost, so the cannabis being dispensed will be for medical purposes, at least until after legalization day.

"...pharmacies can, and should, play an important role in the safe and secure distribution of medical cannabis in Canada," said Neufeld "[The deal] gives Aphria a huge, huge lift when it comes to shareholder value."

Of course, Shoppers Drug Mart has become a lot more than just a pharmacy chain since being

scooped up by Loblaw. It's as much a convenience store as a drugstore today, so it's likely that recreational users will also contribute to a huge chunk of overall cannabis sales at some point down the road.

Another promising candidate looking to land a cannabis-distribution licence

It's not just Shoppers Drug Mart that's hungry to sell weed. **Alimentation Couche Tard Inc.** (TSX:ATD.B), an incredibly efficient convenience store giant, is another promising candidate that could be dispensing recreational cannabis at its locations in a few years.

Couche Tard doesn't sell "behind-the-counter" pharmaceuticals, so obtaining a distribution licence probably won't be possible until sometime after legalization day. I believe regulators gradually become more open to alternative means of cannabis distribution, so Couche Tard is another potential legal cannabis beneficiary that investors should add to their radars.

Bottom line

Although Aphria signed the dotted line, it's important to remember that Shoppers Drug Mart isn't yet a licensed cannabis distributor. If Health Canada rejects its application, the deal goes out the window, and we probably won't see cannabis being dispensed at pharmacy locations until regulations are gradually loosened over time.

I wouldn't buy Loblaw just because of its subsidiary's potential to sell cannabis. For this tailwind, there are [many other headwinds](#) to worry about, so it's important to do your homework before pulling the trigger on Loblaw stock.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/20

Date Created

2017/12/05

Author

joefrenette

default watermark

default watermark