



Is Aphria Inc. a Must-Buy After Sealing a Deal With Shoppers Drug Mart?

Description

Aphria Inc. (TSX:APH) announced on Monday that it had secured an agreement to sell medical marijuana to Shoppers Drug Mart, which is owned by **Loblaw Companies Ltd.** ([TSX:L](#)).

Previously, **Canopy Growth Corp.** ([TSX:WEED](#)) had secured an agreement to be one of the [main marijuana suppliers for the province of New Brunswick](#). However, Shoppers is a big step simply because we haven't seen a big retailer get involved with a cannabis company before.

We've heard that **Alimentation Couche Tard Inc.** (TSX:ATD.B) is interested in offering cannabis in its stores, but there's been no deal with a supplier signed nor a mention of which producer the company would like to partner with.

Sales to be limited to online purchases for now

Current legislation does not allow for medical marijuana to be sold in retail pharmacies, and so initially, products will only be sold online. However, that could change, and as it does we could see products eventually sold in stores.

We've already seen some plans from provinces indicating how marijuana will be sold, and while [Ontario is looking at a very restrictive model](#), Manitoba has indicated that it will allow sales at retail locations. What we could end up seeing is pot sold in stores depending on the province's individual rules around sales and distribution.

Shoppers still needs to apply to be a licensed producer

A small caveat in this deal is that Shoppers Drug Mart will still need to apply to Health Canada to be registered as a licensed producer of marijuana. There's no reason to expect this to be a big hurdle, as this should just be a formality.

Could this open the door for more opportunities for Aphria?

We haven't heard any word from Loblaw about whether it would sell cannabis in its stores, but if

marijuana sales soar for Shoppers, it's not inconceivable to think that other Loblaw stores would consider adding it to their locations, where it is legal to do so, of course.

Grocery stores have struggled to find ways to grow their sales and with fierce competition, providing marijuana to customers could be an avenue to increase revenues rather easily.

Should you buy Aphria today?

This is big news for Aphria and gives it a great opportunity to work with a major retailer. Although this deal is for medical marijuana, it could also open the door for recreational pot to be sold through stores when it is expected to be legalized next summer.

The biggest hurdle at this point is at the provincial level and where it will be allowed, but there will certainly be opportunities, especially if this agreement proves to be successful.

Aphria has already built a strong company that, unlike many cannabis producers, has been able to turn out profits with some regularity. Strong financials and solid growth will ensure that Aphria is able to grow its operations without having to take on significant debt or heavily diluting its shareholders.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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Category

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