



As Shoppers Drug Mart Shops Around for Weed, What Should Cannabis Investors Do?

Description

With the Canadian cannabis landscape constantly changing on what seems to be a daily basis, keeping up with the stream of news regarding acquisitions, partnerships, production agreements, financing arrangements, and regulations can be very hard to do.

This past week, Shoppers Drug Mart, a subsidiary of **Loblaw Companies Ltd.** ([TSX:L](#)), signed a medical cannabis supply agreement with Tilray Canada Ltd., a medical marijuana producer based in British Columbia. The deal is the third of its kind for the Canadian pharmacy chain, with Shoppers already signing supply deals with both **Aphria Inc.** ([TSX:APH](#)) and **MedReleaf Corp.** ([TSX:LEAF](#)) last month.

Aphria was the first company which was able to [sign on](#) with Shoppers, and as CEO Vic Neufeld pointed out, Aphria will be the “first and primary” supplier of medical marijuana for Shoppers, noting supply minimums and other contractual volume-related stipulations have been agreed to in order for Shoppers to maintain exclusivity with Aphria.

While the Tilray announcement was a little sparser on the details, it represented an interesting strategic move by Shoppers in that pharmacy chains across the country appear to be scrambling to sort out supply prior to legalization in the coming months. Since medical marijuana is currently legal, the timeline for Loblaw’s (Shopper’s) Health Canada permit to be approved remains uncertain, although industry experts are hoping for regulatory changes sometime before legalization.

Loblaw originally applied for an application to dispense medical marijuana in 2016 and remains optimistic that pharmacies will officially be able to dispense medical marijuana in accordance with the provincial regulations relating to how the green drug will be retailed.

Bottom line

The rise in the [number of supply deals](#) between pharmacies and cannabis producers should not come as a surprise to investors; it would be imprudent for pharmacies to fail to put a plan in place should

their applications be approved to sell pot.

That said, the recent valuation increases many firms have seen of late relating to these deals may be overdone, considering the fact that provincial governments will be investing millions in building independent cannabis stores to regulate the distribution of marijuana and keep cannabis out of the hands of minors, resulting in potential pushback from government officials on private retail in provinces such as Ontario, Quebec, and B.C., which have very strict alcohol retail regulations currently. The fact also remains that the Health Canada permit has not yet been approved, meaning the cart may be coming before the horse.

Stay Foolish, my friends.

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Date

2025/08/24

Date Created

2018/01/24

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