



Is Molson Coors (TSX:TPX.B) About to Make a Big Splash in Canada's Marijuana Industry?

Description

On Friday, *Bloomberg* reported that **Molson Coors Brewing Co.** ([TSX:TPX.B](#))([NYSE:TAP](#)), the world's third-largest alcoholic brewer, has been in talks with up to four cannabis companies.

While a potential deal could prove to be a watershed moment for the cannabis industry, it wouldn't exactly be a first.

Last fall, **Constellation Brands, Inc.** ([NYSE:STZ](#)), which also happens to be the number one alcoholic beverage market in the United States, announced its own deal that [saw it invest \\$245 million](#) in **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) in exchange for a 9.9% stake in Canada's largest medical marijuana company.

It's also worth noting that on the same day the *Bloomberg* note was released, it was also announced that Constellation Brands had effectively upped its stake in Canopy Growth, taking on one-third of the company's latest \$100 million convertible note offering.

The Canopy Growth convertible notes have an effective conversion price of \$48.18 based on an initial conversion rate of 20.76 shares per \$1,000 principal value.

That means that based on its recent actions, Constellation Brands feels that shares in Canopy Growth will be worth at least \$48.18 — or potentially a lot more than that — by the 2023 when the notes expire.

These types of deals only make natural sense for alcoholic brewers like Molson Coors and Constellation Brands, as many anticipate that the legalization of recreational marijuana will more than likely nip into alcohol sales.

On top of that, brewers like Molson Coors and the much larger **Anheuser Busch Inbev NV (ADR)** ([NYSE:BUD](#)) are finding themselves being confronted with slowing beer sales in key markets like North America.

With the beer market very much a "mature" industry, beer makers could do themselves a big favour by

tapping into the faster-growing marijuana market.

Many analysts and experts have forecasted that Canada's marijuana market could grow by in excess of 20% per year over the next several years — and that doesn't even account for the growth potential being offered by international markets.

Some European markets — and, if it were to happen, the market in the United States — would absolutely trump the size of the expected Canadian market and offer the potential to completely blow the roof off things as they stand today.

What's the goal?

When you read the tea leaves, it looks like the primary motivation behind Molson wanting to get involved in the marijuana industry is to work on developing cannabis-infused beverages: "One area of interest for the brewer is to find a cannabis company that can produce marijuana with a fast-infused reaction that can mimic the experience of drinking alcohol in a relatively quick time span, such as 15 to 20 minutes."

Who's involved?

The *Bloomberg* report indicated that of the four companies that Molson Coors has reportedly been in talks with, two of them include **Aphria Inc.** (TSX:APH) and **Aurora Cannabis Inc.** ([TSX:ACB](#)).

The other company rumoured to be involved in the discussions was **Cronos Group Inc.** ([TSX:CRON](#))([NASDAQ:CRON](#)); however, when Cronos CEO Mike Gorenstein was questioned about it, he declined to comment on the matter.

The last word

The last part of this story that makes it so interesting is a quote from one of the sources close to the company: "When they move into this sector, they're going to be in there big. They're not going to be dipping their toes."

With the Canadian Senate officially [passing its marijuana legalization bill](#) last week, it certainly looks like the gloves are off and the big players are about to step into the ring.

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