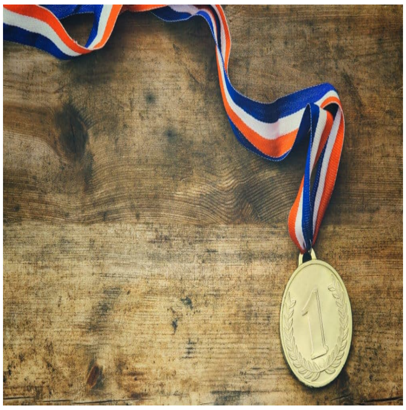

Here Is Why Alcanna Inc. (TSX:CLIQ) Could Be a Big Winner in the Battle Between Bud and Booze

Description

A report from **Canadian Imperial Bank of Commerce** projected that the legal cannabis market would become a $6.5 billion industry by the year 2020. This number would eclipse spending on alcohol in Canada. Legal cannabis markets in the United States, like those in Colorado and Washington, have demonstrated that cannabis has indeed eaten into the market share for alcohol.

It is difficult to predict how much the cannabis market will expand, but history indicates that the growth in overall consumers may be negligible. Take prohibition in the United States as an example. At the beginning of prohibition, alcohol consumption dropped to 30% of pre-prohibition levels. In the following years, consumption grew to 60-70% of pre-prohibition levels. At the end of prohibition, there was little change in the alcohol consumption rate when the policy was abandoned, and consumption stabilized to pre-prohibition levels over the next decade.

Canada is set to legalize recreational use in mid-October this year, with retail sales starting as soon as September in a number of provinces. By the end of fiscal 2019, investors will hope to get a glimpse of the size of the cannabis retail industry. It will also provide an opportunity to see how it impacts alcohol sales across Canada.

Investors can take advantage of this emerging competition by stashing **Alcanna Inc.** (TSX:CLIQ) in their portfolios. Alcanna is an Edmonton-based beverage retailer that offers wine, beer, and spirits. This year **Aurora Cannabis Inc.** (TSX:ACB) bought a 19.9% stake in Alcanna before increasing that to 25% in May of 2018. Alcanna will begin to stock Aurora's products in select stores over the coming months.

The company, originally Liquor Stores N.A. Ltd., saw its stock spike after the news hit in late January. However, a global sell-off soon set shares downward, and the stock has posted double-digit losses in 2018 thus far. There is reason for optimism going forward, as Alcanna will ramp up its operations in the latter half of this year.

Alcanna plans to open 50 cannabis outlets before the end of 2018. It will also implement a training program, which will be provided by Aurora. The company boasts its largest footprint in Alberta, which opted for private cannabis retail after the federal government allowed the provinces to determine the path for distribution and sales. This is yet another positive, as industry experts predict that Alberta will emerge as a leader in cannabis retail and should be able to draw in skilled workers that may have fallen through the cracks after the 2014-2015 oil shock.

Of course, Alcanna also has its conventional operations, which will continue to sell alcoholic beverages. In the first quarter of 2018, the company saw consolidated sales drop 0.9% to $125.8 million, as Canadian and U.S. same-store sales both fell 1.8%. Leadership blamed the harsh winter for the decline in same-store sales, while also touting its expansion of the Alberta market share.

On June 15, Alcanna also announced a cash dividend of $0.09 per share, which represents an attractive 3.9% dividend yield. After struggling in spring, Alcanna is a solid target for investors on the hunt for growth potential and some income in their portfolios.

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