

Here Is Why Private Cannabis Retail in Ontario Is Great News for Investors

Description

Last week it was reported that the new PC government of Ontario would allow private cannabis retail sales once recreational use is legalized on October 17. The government is still expected to control distribution and will manage online sales. This move represents a sharp turn from the liberal government's plan to hand over control to the Liquor Control Board of Ontario (LCBO).

Premier Doug Ford seemed to be open to private sales on the campaign trail, but pulled back somewhat when challenged. The PC party has been split on the issue, which made this decision [hard to predict](#). However, now that investors have a clearer picture of how cannabis retail works in Ontario, they should be happy. Let's find out why.

Top representatives of the fledgling recreational cannabis industry have been open about their support for private control. In September 2017, **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) released a statement that said the company was hoping that it would be able to continue control of e-commerce sales when recreational legalization hit. Canopy Growth didn't get its wish, but shares rose along with its peers on the day the report was released. The stock climbed 2.32% on July 27.

Aurora Cannabis Inc. ([TSX:ACB](#)) has a substantial footprint in its home province of Alberta, which chose to hand over control of sales and distribution to the private sector. Aurora CCO Cam Battley was original critical of the choices made by the governments of Ontario and Quebec. "The restrictive approach in Ontario and Quebec isn't going to be successful in achieving the central objective of legalization in terms of migrating people's purchases from the black market over to the legal market," he said. "The monopoly approach is wrong-headed." Aurora stock rose 1.9% on July 27.

The decision to turn to the private sector in Alberta has been met with [praise](#) from industry leaders.

Aurora acquired a significant stake in **Alcanna Inc.** (TSX:CLIQ) in February. Alcanna has committed to repurposing some of its liquor store operations to cannabis stores that will offer Aurora's product. According to *The Globe and Mail*, sources within the company claim that Alcanna has been scouting potential business in Ontario since Doug Ford's win. Shares of Alcanna rose 6.1% on July 27.

Hiku Brands Company Ltd., which agreed to be acquired by Canopy Growth earlier this year, originally predicted that the Ontario government would opt for the "mixed" model like the one in British Columbia. Hiku Brands Vice President Will Stewart said that there are many steps the government will have to take as municipalities tackle the rollout.

The positive response from industry leaders should make investors happy. The rollout will not be without its bumps as municipalities race to respond to private control, but overall, this will provide a much more fertile ground for growth in Canada's most populous province. This is one more reason to buy-low on some of the largest producers after cannabis stocks have suffered a retreat in the month of July.

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3. TSX:WEED (Canopy Growth)

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