

This Company Is Making More Than a Special Brew

Description

It's a rare once-in-a-generation event when legislators open an entirely new sector of the market to business. We saw it when the internet went mainstream, and more recently we saw a flood of investment come with the Bitcoin craze that hit markets that past two years.

Another area that is already gaining significant traction and is likely to continue to garner interest is marijuana.

By all accounts, it appears that recreational marijuana will be available for sale starting this October, and that has a number of major companies scrambling to forge partnerships and agreements with Canada's growing companies. Agreements with pharmacies have been reached, and more recently we even saw a [major insurer forge a partnership](#) with a pharmacy to help subscribers navigate the different strains that will be on the market and inform them of what is covered.

Last year, I mentioned the incredible potential that **Constellation Brands** could reap from its investment into **Canopy Growth**, and now another set of companies have forged a similar agreement.

The recently announced partnership between **Molson Coors** ([TSX:TPX.B](#))([NYSE:TAP](#)) and **Hydrothecary** ([TSX:HEXO](#)) has just as much, if not more, potential as the Constellation deal announced last year.

Whereas the Constellation investment opened the door to creating cannabis-infused beverages, the current legislative environment within the U.S. greatly limits the potential of that deal from progressing beyond an exploratory or research-focused endeavour.

The agreement with Molson will see the companies work together on creating cannabis-infused non-alcoholic beverages for the Canadian market. Molson will assume a 57% interest in the joint venture, with the deal slated to close within the next two months.

This latest deal follows another deal signed with B.C.'s Liquor Distribution Branch last month that will permit Hydrothecary to sell its line of cannabis oil sprays.

Then there's the 200,000-kilogram, five-year agreement signed with Quebec. The first year of that deal calls for only 20,000 kilograms, but as production and demand ramps up, those numbers and Hydrothecary's revenue will increase.

Gatineau-based Hydrothecary is a cannabis grower that has undergone aggressive growth in the past two years. Last year saw the company break ground on a 250,000-square-foot greenhouse, and shortly thereafter the company announced a one-million-square-foot facility that is also under construction.

In total, the company will have 1.3 million square feet of greenhouses to produce 108,000 kilograms of cannabis annually.

Should you invest in Hydropothecary?

Despite the incredible coverage that is stemming from the legalization movement, the segment is still very much in its infant stages of coming to the market. Additional deals similar to the Molson agreement are likely to continue to be announced, as large companies with product ideas stake their claim and forge agreements with companies such as Hydropothecary.

While not all of those ventures may bear fruit in the long run, Hydropothecary is emerging as an intriguing investment option for those investors that want a different [top growth pick](#) with plenty of potential.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:HEXO (HEXO Corp.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

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