



Cannabis Investors: Here's a Closer Look at Some of Canada's Key Retail Cannabis Players

Description

Unless you've been living under a rock for the past couple of years, you're probably well aware by now that recreational use of cannabis is about to become legal in Canada officially on October 17 of this year.

But let me ask you this: exactly how closely have you been following the distribution side of Canada's cannabis market?

That is, the operators who will actually be responsible for acquiring, marketing and selling cannabis product to Canadians.

The cannabis retail market in and of itself could very well end up capturing the lion's share of the billions of dollars in profits expected to be generated from this newly-minted industry.

And because the Canadian Senate only formally passed the Bill C-45 to legalize marijuana in June of this year, regulators and politicians have been scrambling to work out how the drug will be sold and marketed to the public.

The result of all this is that it almost seems that if you even stop to blink these days, you miss out on some key piece of critical information, so let's take a minute or two to quickly recap the latest developments that have taken place along with some of the key players involved.

In 2016, **Loblaw Companies Ltd.** ([TSX:L](#)) announced that it had applied for a license from Health Canada to supply medicinal marijuana to Canadians through its subsidiary, Shoppers Drug Mart, Canada's largest drugstore chain, with 1,200 locations across the country.

In addition to several key supply agreements the company has inked since then, including deals with **Aphria Inc.** ([TSX:APH](#)) and BC-based **Tilray Inc.**, Loblaws appears to be targeting its efforts around an online direct-to-consumer model that could yield huge results for the company provided the execution is on point.

Another company that wouldn't ordinarily be considered as a "cannabis stock" but which appears to be contemplating a big push into the country's retail market is **The Second Cup Ltd.** (TSX:SCU).

Second Cup owns 286 cafes in the Canadian market and has recently suggested that it is carefully evaluating the potential of converting at least some of its locations into marijuana dispensaries.

In Holland, where pot has been legal for decades, marijuana cafes are a common part of the country's culture.

If the pivot by Second Cup proves successful, it could be a major catalyst for the struggling coffee-maker's fortunes.

Meanwhile, it would appear that investors are already beginning to get on top of the idea.

Second Cup shares have more than doubled already from their 2017 lows.

The interesting part about Loblaws' plans to reap the benefits of a direct-to-consumer is that it would completely do away with the overhang of operating physical brick-and-mortar outlets.

Beyond the realized savings from not having to pay any rent expense, an online model also offers the ability to save costs on staffing, not to mention a significantly more efficient approach to inventory and supply chain management.

Like Loblaws, the direct-to-consumer model is something that Canada's largest licensed medical producer, **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) is also very interested in pursuing.

Along with a blueprint to open its own chain of brick-and-mortar physical locations, Canopy also hopes to tap into the lucrative direct-to-consumer model by way of its own proprietary platform.

But keep in mind that unlike Loblaws, which would be making its first foray into the cannabis business, Canopy has been delivering medical cannabis to its medicinal customers through online channels for several years now.

And last but certainly not the least is **Aurora Cannabis Inc.** ([TSX:ACB](#)), which earlier this year announced it had closed [the purchase of its 19.9% stake in Liquor Stores N.A. Ltd. for proceeds of \\$103 million.](#)

Those proceeds are now being used to build out a new network of cannabis retail outlets – some of which will be converted from old liquor stores and some of which will be brand new.

With that deal, not only does Aurora get the benefit of a stake in the established liquor stores business, but it's also an opportunity that could present significant synergies down the road should [provincial governments continue to relax some of the current restrictions](#) governing recreational pot sales.

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