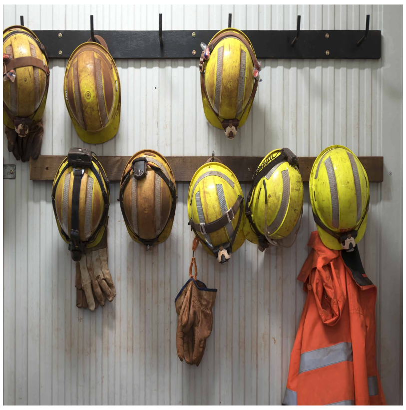

Are Marijuana Stocks Too Volatile? How to Benefit Without the Risk

Description

The cannabis industry has exploded as of late. Since hitting a 2018 low of 481 on August 14, the **Canadian Marijuana Index** has posted gains of 48%. As of writing, the Index has settled at 731. Surprised? I'm not. As mentioned several times, the cannabis industry is highly volatile and will continue to be well after recreational sales take effect in October.

If you are a risk-adverse investor, there are other ways to invest in the cannabis industry. Safer and less volatile investment opportunities exist, such as **Loblaw Companies Ltd.** (TSX:L).

Distribution network

The majority of pot stocks are focused on one thing; increasing production. To meet expected demand, companies such as **Aurora Cannabis** have been exponentially growing their capacity. Likewise, they have signed significant supply agreements with provinces and local retailers to sell their product. Provinces who have chosen a more hands-on approach to selling recreational marijuana have also been for partners. Loblaw is one such company.

In May, Loblaw was shortlisted to be one of the Newfoundland and Labrador's licensed suppliers of recreational marijuana. Loblaw has applied for 10 potential licensed locations. If you are hoping to walk into your local grocery store to find a pot isle, I hate to be the bearer of bad news, but the retailer has been clear that it does not intend to sell cannabis products in its grocery stores.

Instead, Loblaw intends to sell the product out of its lotto and smoke shops that are adjacent to its grocery stores. It's a more natural fit.

Medical marijuana

Lost in the hype around recreational marijuana is that there is still significant opportunity in the medical marijuana space. By 2021, the Canadian medical marijuana market is expected to reach $2.31 billion. This is up from $600 million in 2017 and amounts to 86% annual growth over the next four years.

In October 2016, Loblaw applied to distribute medical marijuana products through its Shoppers Drug

Mart chain. The company is aiming to become an outlet for medical marijuana patients who want to fill their prescriptions. Of note, they are the first non-cannabis company to make such an application that is still waiting on Health Canada's approval. If approved, the opportunity is huge. The company has over 1,200 Shoppers Drug Mart locations in nine provinces and two territories.

Thus far, it has signed supply agreements with **Aurora Cannabis** and **Aphria**, two of the largest players in the industry. It has also signed agreements with smaller industry players such as **Tilray Canada** and MedReleaf.

Life insurance plans

In late July, **Manulife Financial** announced Canada's first ever medical marijuana insurance program. Its partner? Shoppers Drug Mart. Pharmacists will consult with Manulife customers on the different strains of medical marijuana and the ways of ingesting it. In conjunction with its application to Health Canada, the synergies are significant.

Before jumping in, it is important to note that none of these agreements or applications have been finalized. They are all contingent on government approvals. This means that none of the above initiatives are currently contributing to the company's top and bottom lines. These are all considered potential growth opportunities for the company.

Getting in before official approvals is also the perfect time to buy. In the meantime, you are invested in a high-quality company that has grown its revenues for nine years consecutively. It is also a Canadian Dividend Aristocrat that has raised its dividend for six consecutive years. Looking for a safe play in the cannabis industry? Loblaw is the perfect choice.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/26
Date Created
2018/08/31

Author
mlitalien