



Will Marijuana Move These 3 Beverage Stocks?

Description

Beverage deals have reignited interest in marijuana stocks, propelling them back to the highs they reached earlier this year.

Molson Coors and **Hydrophothecary** are starting a joint venture, and **Constellation Brands** has taken an even larger stake in **Canopy Growth** — both indicators that the industry is optimistic about the potential of cannabis drinks. Further, with rumours circulating that **Diageo** may be ready to enter the space, it appears that marijuana beverages are the real deal.

Not every cannabis company will, however, have the benefit of partnering with a giant beverage multinational.

Smaller manufacturers and marketers of various sorts of drinks may take an interest in the marijuana industry with hopes of boosting their bottom lines. Equally, it isn't necessary that beverage companies initiate these transactions; it is entirely possible that a cash-rich cannabis company might scoop up a drink company in the future.

With the above in mind, let's take a look at three beverage makers, each with its own niche be it beer, spirits, or juice. Are these stocks good investments in isolation, and do they offer the possibility of a big deal? Let's find out!

Brick Brewing Company (TSX:BRB)

First up is small-cap Brick, a producer of beer, vodka, and coolers. Some of the company's most iconic brands include Laker, Seagram, and Waterloo.

With three-year average revenue and earnings growth per share of around 10% and 20%, respectively, Brick is a [growing brewer with strong future prospects](#). The company's success is reflected in its fundamentals, as it trades at a forward price-to-earnings multiple of roughly 23 and a price-to-book ratio of about four.

Brick's market capitalization of less than \$150 million makes it too small to snap up a piece of a

cannabis company, but it is the right size to be affordably acquired. At the same time, the company's position in the budget-friendly beer market makes it an appealing partner for a marijuana business looking to partake in a beverage-based race to the bottom.

Whether or not Brick gets a bump from the cannabis craze, it is still a respectable investment that will pay you a nearly 1.5% dividend as it continues on its growth trajectory.

Corby Spirit and Wine ([TSX:CSW.A](#))

Operating in the business of spirits and imported wine, Corby is only other alcoholic beverage business that we will cover. The company's portfolio of brands includes instantly recognizable names such as J.P. Wiser's whisky, Polar Ice vodka, and McGuinness liqueurs.

Corby is a stable, slow-growth, zero-debt business that pays a steadily growing dividend with a current yield of around 4.3%. Trading about a dollar above its 52-week low, the company's price-to-earnings multiple of a little under 23 and price-to-book ratio of just over three are roughly in line with the sector median.

Part of Corby's appeal is that it stands to benefit from changes in the broad beverage market because it represents and distributes international brands within Canada. Even if the company doesn't directly engage in any sort of marijuana deal, it would still indirectly profit from an Absolut Vodka-branded cannabis beverage if **Pernod Ricard** were to enter that market, as an example.

Lassonde Industries ([TSX:LAS.A](#))

As a manufacturer and marketer of fruit and vegetable juices, Lassonde doesn't fit the profile of the companies that have so far taken an interest in marijuana beverages.

That being said, the potential for specialty health drinks that blend the on-going boom in nutraceuticals and other trends, such as microdosing, is enormous. Lassonde, a leader in beverage development, would be well suited to a health-oriented market for cannabis drinks.

Speculation aside, the company's current brands are household names such as Oasis, Rougemont, Allen's, and Fruité.

What's more, Lassonde has put up [impressive long-term growth](#), growing book value, earnings, and revenue per share at an average rate of over 14% annually in a 10-year window. Valuation-wise, the company trades in line with its peers and pays a dividend that yields a bit more than 1%, but that has just about doubled since 2015.

Conclusion

Just as marijuana stocks have soared due to speculation, we can only speculate about a future industry surrounding cannabis beverages. The companies discussed above all have their individual merits, regardless of if they attract the attention of marijuana investors.

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