



3 Non-Cannabis Stocks to Buy After Legalization

Description

Investors who chose to dive into the cannabis sector immediately following legalization have been greeted with volatility. [Canada Post](#) kicked off rotating strikes on October 22. Experts and analysts have also long warned about the supply issues that will face cannabis stores early in the roll out. Retailers across Canada are being squeezed by the huge demand, and supply is not expected to catch up until the middle of 2019.

These problems could lead to volatility for cannabis stocks in late 2018 and early 2019. Instead of gritting their teeth along with producers during this chaotic period, investors may want to explore other stocks that could also gain from legalization. Today we are going to look at three that could receive a boost in the long term as this young industry generates new opportunities.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#))

Bank of Montreal was the first of the Big Six Canadian banks to officially dip into the cannabis market. Earlier in the year, BMO extended a \$200 million credit line to **Aurora Cannabis**. Its Capital Markets division also served as the exclusive adviser to Aurora on its all-stock deal for MedReleaf. BMO was unique as many Canadian banks have had trepidation about extending credit to unproven entities. There is also the risk of running afoul of federal law in the United States.

Recently the Toronto-based DBRS Ltd., a global credit rating agency, cast doubt on the credit worthiness of some of the largest licensed producers. However, the agency also added that as the industry matured this uncertain outlook could improve.

Andrew Peller ([TSX:ADW.A](#))

Andrew Peller is an Ontario-based wine-producing company. Back in May, I'd discussed whether investors should throw their lot in with [wine or weed](#) over the next decade. These substances have become favourites among the millennial generation.

Andrew Peller has not yet made a concrete play in the fledgling cannabis industry. However, recent moves by other alcoholic beverage companies like **Constellation Brands** to step into the cannabis

industry could foreshadow a move by Andrew Peller, especially considering its Canadian roots. In a recent conference call Andrew Peller leadership stated that it would be monitoring developments of the cannabis industry and could jump into the market in the future.

Molson Coors ([TSX:TPX.B](#))([NYSE:TAP](#))

Back in August, Molson Coors entered a deal with **HEXO Corp.** to create a partnership “to pursue opportunities to develop non-alcoholic, cannabis-infused beverages for the Canadian market following legalization.” Recreational cannabis in Canada is now legal, but edibles will remain illegal until at least late 2019. The Canadian government has stated that it requires more time to get the regulatory framework right as the manufacture and labeling of edibles is a contentious issue.

Still, the cannabis-infused beverage industry holds tremendous promise for the future. According to Canaccord Genuity analysts, the cannabis-infused beverage industry could grow into a \$600 million market in the United States by 2022. Molson Coors will maintain a 57.5% controlling interest in the joint standalone venture, with HEXO in control of the remaining 42.5%.

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