



2 Reasons to Buy This Cannabis Retailer Today

Description

The pullback for cannabis stocks resumed, as trading opened on October 29. The sector has suffered sweeping losses since recreational cannabis use was legalized on October 17. A global stock market sell-off has exacerbated this decline, but a chaotic roll-out that has seen the emergence of a [supply crisis](#) at cannabis retailers has cast a shadow over the early stages of legalization.

This broad retreat will provide investors with an opportunity to add cannabis stocks at a discount. **Alcanna** (TSX:CLIQ) is an Edmonton-based retailer of adult beverages and now cannabis. Licensed producer **Aurora Cannabis** purchased a 19.9% stake in the retailer earlier this year. Shares have dropped 12% month over month as of early afternoon trading on October 29. This pullback is a great opportunity for investors to stash a promising retailer before the supply situation stabilizes.

Today, we are going to explore two reasons Alcanna is worth adding to your portfolio today.

Retail sales in Alberta are killing it

Supply issues have been frustrating for consumers and investors, but demand has been sky high in the first half-month of legalization. Alcanna recently added the NOVA Cannabis brand to its stable of retail locations in Alberta and announced the opening of its first five stores scheduled for the legalization date. Early sales have been very promising.

In the first five days of cannabis legalization, Alcanna revealed that it processed approximately 17,000 transactions and sold 68,000 individual SKUs. The average dollar amount of these transactions was two to three times that of an average Liquor Depot transaction. Cannabis has emerged as a threat to alcohol's market share, especially among the [millennial demographic](#). These early reports indicate that it can be more profitable for retailers as well.

The Alcanna-owned NOVA Cannabis stores pulled in an estimated \$1.3 million in sales in the first five days of legalization. Alcanna has made inquiries to establish a footprint in Ontario, which will introduce brick-and-mortar cannabis retail in April 2019. The early reviews for the Ontario Cannabis Store (OSC) have not been positive, with many consumers failing to receive packages promptly. Over-the-counter retailers will be highly sought after in the spring of next year.

A buy-low opportunity after an October bloodbath

The October dip has pushed Alcanna into negative territory for 2018. Alcanna is set to release its third-quarter results in early November. The company announced a third-quarter cash dividend of \$0.09 per share in September. This represents a solid 3.8% dividend yield.

In the second quarter, Alcanna reported a decline in consolidated sales and in Canadian same-store sales in the year-over-year period. Sales at its U.S.-based operations were \$20.1 million compared to \$19.4 million in Q2 2017. Alcanna's Q3 2018 results will not include its cannabis retail operations, but investors may be provided a quick snapshot in its outlook.

A broad stock market pullback combined with supply issues for the Canadian cannabis market in this early stage provides investors with an opportunity to add Alcanna at a discount before its next earnings release. Cannabis stocks may be subjected to volatility for the remainder of 2018, so investors will likely have time to act on these prices before the New Year.

CATEGORY

1. Investing

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/04

Date Created

2018/10/29

Author

aocallaghan

default watermark