

Cannabis Investors: Have the Beverage Deals Dried Up?

Description

Earlier this year, all the hype was around beverage companies and other industries looking to partner up with the cannabis industry. However, recently that excitement has died down a little bit as some big companies have poured some cold water on the idea.

We recently heard that **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB) and **The Coca-Cola Co** ([NYSE:KO](#)) were apparently in talks on a potential deal. However, recently the soft drink giant came out and said that it didn't have any imminent plans for pot, suggesting that the deal may have [fallen through](#). **PepsiCo, Inc.** has also shown [a lack of interest in cannabis](#), as has **Starbucks Corporation**, which suggested that marijuana might not fit with its image.

Even though some big names have thrown their hats out of the ring, there is still clearly a lot of interest from other industries and it seems odd that we haven't seen a deal announced recently.

What does this mean for investors?

The lack of deals involving the cannabis industry suggests to me that companies in other industries are still reluctant to take the plunge, especially while it is still illegal to transport marijuana across state lines. Risk-averse companies with strong brands are not going to be lining up to jump into cannabis and taking the chance on alienating and upsetting their existing customer base. It's simply too big of a gamble for big companies to take today.

However, for those looking for a way to improve their sales who may be in need of a boost, the industry could offer a way to do that. **Second Cup Ltd** (TSX:SCU) is a good example of that, as the coffee chain linked up with a cannabis company earlier this year, and it plans to convert many of its stores into pot shops.

For a company like Second Cup, taking a risk on cannabis might be worthwhile, as there's not as much at stake to lose and the upside could be significant.

Are we overdue for more deals?

It's a bit surprising that while Canopy Growth has been involved with a beverage company for some time now that Aurora hasn't yet been able to find a partner for itself. If the deal with Coca-Cola did in fact fall through, then the lack of news on that front is understandable. With Canopy Growth partnering with a well-known beverage maker like **Constellation Brands, Inc.**, Aurora might be feeling under a bit of pressure to land a big fish themselves.

Either way, it's a bit odd that amidst all these rumours, there's nothing more concrete to announce just yet. There are many cannabis companies and potential suitors looking to make a deal, so there's definitely no shortage of interested participants. The big question for me is whether the interest is genuine by other industries or whether it is just a lot of tire kicking to see what options might be

available if and when cannabis eventually gets legalized in the U.S.

Overall, things in the cannabis industry have hit a bit of snag recently and the excitement has definitely cooled, and so the prospect for other industries to get involved may no longer be all that appealing anymore.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:ACB (Aurora Cannabis)
2. NASDAQ:CGC (Canopy Growth)
3. TSX:ACB (Aurora Cannabis)
4. TSX:AEG (The Second Cup Ltd)
5. TSX:WEED (Canopy Growth)

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Date

2025/08/26

Date Created

2018/11/15

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