



## 1 Cannabis Retail Play That's Safe Enough to Stash in Your TFSA

### Description

You don't need to bet on stomach-churning, unprofitable cannabis producers trading at over 55 times sales (that's sales, not earnings) in order to profit from the nascent cannabis industry.

While the most obvious way to make money from the sector is to bet on an ETF or a cultivator, the only bets that long-term investors (as opposed to speculators) should be making is on indirect cannabis bets.

While everybody is focusing on cannabis pure-plays, incredible *un*pure-plays are emerging, and the price of admission to such plays are a fraction of the cost compared to a pure-play with a pie-in-the-sky valuation and a high degree of unsystematic risk.

Think plays like [Alimentation Couche-Tard](#) (TSX:ATD.B), a non-traditional cannabis play that could be laughing its way to the bank as the appetite for cannabis grows over time.

The convenience store operator behind Circle K, Mac's (what's left of them, anyway), and the Couche-Tard flagship c-stores in Québec recently dipped into the cannabis waters with a strategic investment in **Fire & Flower**, a Canadian cannabis retailer based out of Edmonton, Alberta.

It's not a mystery as to why Couche-Tard's management team was interested in making a big splash in the cannabis waters, as they've expressed their interest many times in the past.

The Fire & Flower move is a deal that appears to be a low-risk way to gain exposure to the cannabis space and may mark the first step of getting cannabis in Couche-Tard's existing c-stores across the country.

Couche-Tard's partial stake allows them the option of scoring a controlling stake down the road. Couche-Tard CEO noted that Fire & Flower is one of the fastest-growing cannabis pure-play retailers out there and will stand to "leverage their leadership, network, and advanced digital platform."

What a [prudent bet](#).

Hannasch and company are humbly acknowledging their competencies with the partial move, albeit are more than willing to learn and grow from those who know more about selling cannabis.

The move is a big deal that could unlock unfathomable value for long-term shareholders. The reaction to the news was somewhat muted (shares just popped over 1% for the day) and I suspect that investors don't have a firm grasp of the company's long-term plans surrounding the retail cannabis business.

Simply put, Couche-Tard has smart managers who can learn very quickly. And given their track record, I wouldn't at all be surprised if Couche-Tard ends up one of the biggest winners from the legalization of recreational cannabis.

Even with cannabis taken out of the equation, Couche-Tard stock is undervalued given its growth prospects and the countless opportunities within the global c-store (convenience or cannabis) space.

At 19 times trailing earnings, Couche-Tard is a steal, plain and simple.

While others fall asleep at the Fire & Flower investment, Foolish investors should back up the truck before analysts discover it was a mistake to downgrade the stock over capital appreciation.

Stay hungry. Stay Foolish.

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