



This Cannabis Retail Stock Is a Far Better Bet Than Any Marijuana Producer

Description

The nascent marijuana industry has come a long way over the past few years, and while there's still ample profit to be had from the budding market, the most significant opportunities in the space may be lying outside of the scope of the average investor.

A majority of the hype has undoubtedly been aimed at cannabis cultivators, and while that's the natural place to go looking for ways to gain exposure to the marijuana space, it's not the only (or best) way as we wrap up Year One of nationwide legalization.

Many other cannabis sub-industries are gaining more traction, and as the industry matures, there will be multi-baggers that aren't in the business of growing weed.

Cannabis is a mere commodity, and it's likely going to remain this way in Canada and in other jurisdictions around the world as regulators put forth strict guidelines to ensure negative consequences from legalization are minimized, making product differentiation nearly impossible in the process.

The production of commoditized goods isn't ideal for firms that seek to separate themselves from the pack. Highly efficient voluminous producers like **Aphria** will be the ones that will be dominant players in such a commoditized market, but it won't be able to shut out new entrants in the space.

Betting on up-and-coming weed growers may not be the best course of action for investors seeking outsized results over time due to limited transparency when it comes to operating activities (that's just asking for another **CannTrust**-like scandal), not to mention that they won't possess the same economies of scale as deep-pocketed behemoths.

A better way to bet on cannabis

The world of cannabis retail could be where the puck could be headed next in the world of marijuana. [Alimentation Couche-Tard](#) (TSX:ATD.B) the global [convenience store kingpin](#) has been itching to sell weed since the early days leading up to nationwide legalization in Canada.

The firm recently placed a small bet on the budding Edmonton-based cannabis retailer **Fire & Flower Holdings** (TSXV:FAF) with the option to acquire a controlling interest at some point down the road.

Fire & Flower has been trying to separate itself from the pack with experiential brick-and-mortar stores alongside its expansive and easy-to-use digital platform called Hifyre.

The up-and-coming retailer has only a handful of locations — mostly across the province of Alberta, but the Fire & Flower brand is quickly making a name for itself with its clean layout, wide selection of cannabis merchandise, and helpful sales staff.

As Fire & Flower invests further in its Hifyre digital platform, I see a scenario where the retailer could grow to become a force to be reckoned with the highly fragmented cannabis retail scene.

Couche-Tard knows a thing or two about consolidating dispersed brick-and-mortar retail stores, and should its management team become comfortable enough to move into the deeper end of the cannabis waters; we could see a full takeover and potential inclusion of a Fire & Flower “section” within select Couche-Tard convenience stores.

In any case, Fire & Flower is one of the best pot retailers to bet on now that it has a deep-pocketed investor in Couche-Tard. The company has a mere \$162 million market cap, but given the involvement of Couche-Tard, I'd say the small-cap isn't as risky as many of its peers who lack a dance partner that's as attractive and resourceful as Couche-Tard.

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1. Cannabis Stocks
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Date

2025/09/03

Date Created

2019/08/06

Author

joefrenette

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