



Revealed: 1 Marijuana Stock I Like More Than Aurora Cannabis (TSX:ACB)

Description

In prior pieces, I've highlighted several reasons why **Aurora Cannabis** was one of my preferred picks in the highly speculative marijuana market. Aurora was growing tonnes of weed in a somewhat efficient manner, which is how a firm can succeed in a commoditized market.

Although you could make a quick buck from betting on cannabis cultivators, I'd much prefer owning shares of a company that's able to differentiate itself in some form or another. As a grower and distributor of weed, there isn't much wiggle room to promote brand differentiation with all the regulations that are in place.

Aurora Cannabis and many other pot firms have hovered in the grey area in the past with the hopes of making a name for themselves through the promotion of music festivals. As Health Canada cracks down on the rule breakers, however, every firm's compliance will be heightened, making it nearly impossible to garner brand loyalty.

How can a cannabis company differentiate itself with all that red tape?

It's simple: don't be a cannabis producer, and you won't be subject to the regulations that seek to make product differentiation next to impossible.

[Fire & Flower Holdings](#) (TSXV:FAF), an Edmonton-based cannabis retailer, recently caught my attention after **[Alimentation Couche-Tard](#)** announced its 9.9% stake in the company with the option to own a controlling stake in the firm should it choose to.

Fire & Flower is a marijuana penny stock with a market cap of just \$160 million. Shares trade for \$1.35, and although I've urged Foolish investors to avoid penny stocks like the plague, I think Fire & Flower is a rare exception. It's a legitimate play that likely has a risk/reward trade-off that favours the investor.

The cannabis retailer has only 23 cannabis shops across the prairies and Ontario. Although it's tough

to trust the management team of a firm that's as small as Fire & Flower, I am encouraged by all the good things that CEO Brian Hannasch had to say about the management and its expertise in physical and digital cannabis retail.

Moreover, one can't help but notice how gorgeous the Fire & Flower store layout is. It's like the **Apple** store of weed. And although such an arrangement can easily be replicated by some other micro-cap up-and-comer, I think Fire & Flower can keep competitors at bay thanks to the involvement of Couche-Tard and its deep pockets, which will help the company scale up faster than its less-capitalized peers.

Couche-Tard has a brilliant management team that's been delivering market-crushing results for investors over the years. They're prudent when it comes to M&A, and it's going to be no different with Couche-Tard's initial investment in the world of cannabis.

Hannasch and company clearly see something in Fire & Flower, and it's not hard to see why. The company has a robust online presence and ample room for an ambitious national expansion. Although Couche-Tard's initial investment is just a toe in the waters, I think Fire & Flower may be scooped up entirely in a few years' time should things go smoothly.

In any case, Fire & Flower is a sound investment — not a speculation, despite being in deep penny-stock territory.

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Author

joefrenette

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