



Alimentation Couche-Tard (TSX:ATD.B) Is in the Marijuana Business

Description

When one of the world's largest convenience store chains makes an investment in a company, you'd better pay attention.

That is exactly what **Couche-Tard** (TSX:ATD.B) has done with a \$26 million investment in the independent cannabis retailer **Fire & Flower** ([TSX:FAF](#)).

This investment gives Couche-Tard a 9.9% equity stake in the company with options to increase this to 50.1% in the future. This investment is the perfect synergy, as Couche-Tard operates stores across [Canada, the United States and Europe](#), which could see more progressive laws for recreational marijuana use in the future.

In Canada alone, the marijuana industry is estimated to be valued at \$5 billion by 2021. Couche-Tard's competitive advantage is the fact that it has stores within easy access of almost every Canadian.

A license to sell through Couche-Tard's stores could result in massive upside for the stock.

Couche-Tard's investment

In August, 2019, Couche-Tard closed a deal with Fire & Flower, which resulted in a \$26 million investment for 9.9% equity with options to purchase more equity up to a maximum of 50.1%.

This means that Fire & Flower could have access to an additional \$380 million in growth capital.

Couche-Tard's investment also opens up another door. If Couche-Tard is able to secure a license to sell in the future, then it would have over 2,200 locations in Canada alone where people can buy marijuana.

As marijuana is an experiential commodity, people are enticed to visit stores to learn more about the product and how it can benefit their lives.

What this means for Couche-Tard is that it is perfectly positioned to capitalize on the growth in demand for marijuana and marijuana-related accessories.

Solid company

Even without its investment, however, Couche-Tard is a darned good stock. With net income increasing from \$933 million in FY 2015 to \$1.8 billion in FY 2019, Couche-Tard has [demonstrated its ability to increase profitability](#).

Accumulated net income for the past five years is an amazing \$6.4 billion.

With the rebranding of Mac's Convenience Stores in 2018 to Circle K, Couche-Tard has demonstrated that it isn't afraid to change with the times — a mentality all successful businesses must embrace.

As demonstrated by Couche-Tard's increasing net income, customers are clearly happy with the direction it has taken.

Bottom line

As mentioned above, when one of the world's largest convenient store companies invests in a company, it is important to take note.

This time the company is Fire & Flower, arguably the largest independent retail cannabis company in Canada.

Couche-Tard has already invested \$26 million for a 9.9% stake in the company with options to increase it to 50.1% with an additional \$380 million investment.

Given Couche-Tard's strategically located stores, this investment is the perfect partnership with which to capitalize on future retail cannabis opportunities.

Finally, Couche-Tard is a strong company by itself, with net income increasing almost two times since FY 2014. Simply put, this is a pretty good investment.

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Date

2025/09/15

Date Created

2019/08/15

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