



Take a Sip of This 1 Stock

Description

You would be hard-pressed to meet a Canadian that has not consumed a beer brewed by **Waterloo** (TSX:WBR). It is the company behind Waterloo beer and Laker beer, and it owns the Canadian rights to brew and distribute Landshark beer.

Waterloo was previously named [Brick Brewing](#) before changing its name in June 2019 to better reflect the brewery's Canadian identity. Brick Brewery was started in 1984 and is widely regarded as the first craft brewer in Ontario.

What makes Waterloo such a good investment is its cannabis-infused beverage licence and strategic investments.

Cannabis-infused beverage licence

In August 2019, Health Canada awarded Waterloo a research licence to begin developing cannabis-infused beverages. This is an industry estimated to be valued at \$1.5 billion.

Waterloo has created an ambitious goal for itself to have the cannabis-infused beverages ready for market by 2020. According to its CEO, not many breweries have the resources to bring cannabis-infused beverages to market as quickly as Waterloo.

This provides it with a competitive advantage as being the first to market with a product is a noteworthy feat. In the words of the CEO, "We plan to be the production partner of choice for the beverage-cannabis business."

This positioning will allow Waterloo to capitalize from the growth in cannabis-infused beverages, as companies may look to the brewery for private-label services, which is another source of revenue.

Strategic investments

When a company invests in itself, [it is usually a good sign](#).

With Waterloo, this is no exception, with the company making over \$10 million in investments in 2018. The first investment was for \$3.5 million that was used to upgrade the can production capacity of its brewery.

This investment improved the operational efficiency of the brewery by reducing natural gas usage by 15% and reducing water usage by 25%. The upgrades also double the company's canning capacity to 400,000 hectolitres (equal to 100 litres) annually.

The company also made a \$9.6 million investment in November 2018 to expand its brewery. This will allow the company to achieve over \$1.1 million in revenue growth and operational cost savings.

These investments are a good sign for investors, as it indicates that Waterloo is a growing business and its senior management is interested in the success of the company as opposed to just lining their pockets.

Summary

Waterloo is definitely a hidden gem on the TSX.

As a direct result of this, however, the share price is greatly undervalued, and investors will be pleased with the returns of the stock.

There is a strong indication that the share price will continue to grow based on the recent receipt of a cannabis-infused beverage research licence from Health Canada and the multiple strategic investments the company makes in itself.

If you are hesitant to invest in the company at the moment, I would recommend you add it to your watch list to see the results of the sales of cannabis-infused beverages it plans to have ready to sell by 2020.

I would also recommend you stay tuned to additional investments the company is making, as further plans to expand its brewery could indicate a large order it anticipates that has not yet been formally disclosed to the public.

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