



This \$45 Billion Company Is the Next Key Player in Marijuana

Description

Was it wise for the leader in the Canadian convenience store industry to make a strategic investment in a small-cap cannabis stock? **Couche-Tard** (TSX:ATD.A)(TSX:ATD.B) is the latest prominent business entity to join the green rush. The company invested \$26 million in **Fire & Flower** to gain a 9.9% ownership interest.

Brian Hannasch, president and CEO of Couche-Tard, was forthright when he said, “Through this strategic investment, we reinforce our intention to become a key player in North America’s cannabis industry.” With its goal out in the open, is Couche-Tard the next big player in the cannabis space?

A place in the Wild West

Couche-Tard’s founder and executive chairman Alain Bouchard said the company will be using its position in Canada to penetrate the markets in North America where recreational marijuana is legal.

Bouchard says the company has the expertise and resources to deploy a network in the U.S. but laments not being able to sell in Quebec. Because of the provincial rules limiting the sale of marijuana, Couche-Tard will be selling outside its home base.

The chairman admits the cannabis industry is still in its infancy stage, but the company is preparing to go out of its way and deploy where regulations allow it. Couche-Tard aims to double operating profit by 2023, but it has yet to point to marijuana as a growth driver. Last year, the company made US\$4 billion.

Couche-Tard’s target market are the millennials who are “less loyal to stores, but more loyal to brands.” The Couche-Tard and Circle K brands are well known. CEO Hannasch adds that the company would find a place in the market he likens to the Wild West.

Its expertise in managing an entire worldwide network of 16,000 outlets spanning Canada, the U.S., Europe, Latin America, Asia, and the Middle East gives the company an edge in penetrating the recreational marijuana market.

Powerful combination

Couche-Tard's expertise in scaling retail stores and Fire & Flower's retail experience and proprietary Hifyre digital platform creates a formidable combination in the cannabis space. Together, the duo could capitalize on the new, emerging cannabis markets.

Couche-Tard acknowledges Fire & Flower as one of the fastest-growing cannabis "pure-play" retailers. Its strategic investment could lead to a controlling stake in the future, while enabling the company to leverage its leadership, network, and advanced digital platform to fast track the journey in the burgeoning sector.

On the other side, Fire & Flower has a partner with the financial muscle and global footprint that would allow it to pursue [opportunities for aggressive growth](#). It's a win-win affair for both parties.

Not contingent on the cannabis market

The entry of Couche-Tard in the cannabis space shows the potential of recreational marijuana to provide organic growth. However, without the cannabis market segment, the company is already profitable. This consumer defensive stock only has legal marijuana as a related business.

Therefore, investing in the stock insulates you from the extremely high [volatility of weed stocks](#). The value of the leading convenience store in Canada and the largest independent convenience store operator in the U.S. will not diminish should cannabis sales targets fall below expectations.

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