



TFSA Investors: This Value Stock Could Soar in 2021

Description

Alcanna (TSX:CLIQ) operates 181 liquor stores in Alberta and 24 liquor stores in British Columbia. Approximately 91% of Alcanna's sales in Canada are derived from the company's liquor retail operations. The company also owns and operates 33 cannabis retail stores in Alberta and operates one cannabis retail store in Ontario.

About 10% of Alcanna's sales in Canada are derived from [cannabis retail operations](#). The company owns approximately 63% of a privately held company, New Nova, which operates 53 recreational cannabis retail stores in Alberta, Ontario, and Saskatchewan.

Significant product selection

Alcanna operates liquor retail stores that range in size from 1,000 to 10,000 square feet. The company also operates eight large-format locations in Alberta with significantly expanded product selection compared to the convenience format stores and range in size from 12,000 to 25,000 square feet. Of the 196 liquor stores currently owned by the company, eight are large-format stores, 187 are full liquor stores, and one is a wine-only store.

Alcanna operates some of the leading [liquor retail brands](#) in the company's respective markets. The company's business model is based on highly visible and accessible store locations, and it endeavours to purchase stores in areas where access to customers is maximized, such as near grocery stores or near residential areas. Approximately 60% of Alcanna's retail liquor stores are located in or near shopping centres with major grocery stores or other anchor tenants.

Preferred label varieties

The company's stores offer a large selection of wine, spirits, coolers, liqueurs, beer, and specialty products. Product selection is individually tailored to store banners, neighbourhoods, and formats. In convenience-focused stores, product selection varies between 1,000 and 4,000 wine, spirit, cooler, and beer items, which Alcanna's management believes is a larger product selection and inventory than the

industry average. New and preferred label varieties and products arrive in stores throughout the year.

The company provides high-quality customer service through Alcanna's employees, who are highly knowledgeable in each liquor category to best serve the company's customers. Staff are trained to have strong product knowledge that is shared with customers. Alcanna maintains product knowledgeable managers, assistant managers, and line staff through frequent seminars and training.

Robust business strategy

Management's primary strategy is to focus on urban centres, including the Calgary, Edmonton, and Vancouver metropolitan areas. The company believes that urban centres provide the best opportunities for larger per-store revenues and likelihood of population increases. While Alcanna's focus is primarily on urban centres, it also has stores in other communities, including smaller urban centres, where demographic and economic conditions are attractive, such as those with resource-based economies.

Alcanna generally designs the company's stores to optimize traffic flow and present products in a welcoming environment. In 2019, the company substantially completed a highly publicized accelerated renovation initiative to modernize and renovate a large number of stores. Alcanna's leading market position and large-scale operations provide it with a number of competitive advantages, including the benefit of operating efficiencies relative to non-liquor expenses and greater access to capital.

Overall, Alcanna appears to be very attractively priced in an overvalued market. Management is executing the company's strategic objectives well.

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