



A Cannabis Industry Insider's Take on Day 1 of Legalization

Description

The clock is ticking down to October 17, when Canada becomes the first major country to legalize recreational adult-use of cannabis nationwide. To learn more about what will happen on day one and beyond we talked to a cannabis industry insider, Vahan Ajamian, who has boots on the ground in this fast-growing category.

Ajamian is the managing director of analyst relations at **MedMen** ([CNSX:MMEN](#)), which operates dispensaries in several states in the U.S. and recently announced the largest acquisition to ever take place in the U.S. cannabis industry.

The Motley Fool: What are your thoughts on the significance of October 17, 2018?

Ajamian: Canada fully legalizing marijuana for adult use is a historic moment that the whole world should celebrate. This is the first developed nation to recognize that legalizing and regulating marijuana is a better way to go than a blanket prohibition that stigmatizes and criminalizes people for using something that enhances lives. By some estimates the Canadian marijuana market has a potential to reach \$6.5 billion in annual sales. By comparison U.S. potential sales are \$75 billion. California alone could be about \$11 billion. Although Canada's total addressable market is small compared to the U.S., the symbolism of the moment cannot be overstated.

TMF: What should consumers be expecting on the 17th?

Ajamian: Retail sales will be more an evolving process than a one-day event. In Ontario, for example, there won't be any physical stores at least until April 1, 2019, but consumers will be able to buy online on the Ontario Cannabis Store's website. It seems brick and mortar retail will be limited initially in the other provinces as well. British Columbia will reportedly have one store on the first day of sales. In Quebec, I understand the government plans to have 12 physical stores open initially. There will be some initial bumps on the road, but things should settle down soon.

Longer-term, more stores will open in Canada and the industry will become more and more mainstream. We certainly intend to play a part in that through our JV with Cronos Group. Our intention is to open flagship stores in provinces that will allow private retail – in particular British

Columbia, Ontario and Alberta.

TMF: How might the first year play out for companies in Canada?

Ajamian: We expect the first year of adult legal cannabis in Canada to start slow and then pick up speed. There will be a limited number of stores and products in the first year, but that should change rapidly as demand grows and the program matures. Our stores in California have over 1,000 SKUs – everything from infused bath bombs to pet treats to breath mints. But California had more than two decades of medical marijuana before starting its adult-use program. We have found that the new cannabis consumer often wants to learn about more product variety than just flower. The Canadian market should mature into diversified offerings as well.

TMF: How might the first year of legalization look in Canada? How might investors' mentality shift?

Ajamian: The focus will change from production capacity to retail footprint. Ultimately, retail is where the rubber meets the road. It is where new cannabis consumers will discover the product and the brands. In the absence of true retail in Canada, much of the focus from investors has been on cultivation and manufacturing, but companies will be forced to gain customers and their loyalty and that's a completely different exercise. In markets like California, we already see that. Our stores accounted for six percent of all sales by licensed dispensaries in the second quarter. We outperformed other dispensaries in the state by a factor of three on average. We believe that's due to the strength of our retail brand.

TMF: What might investors face on October 17, 2018, and during the first year of legal sales?

Ajamian: I think we need to get away from looking at how marijuana stocks are doing on any given day and focus on the long-term. We are building an industry, a real industry with real factories, stores and consumers. October 17 will be a historic day. It will advance the conversation globally around legalizing cannabis. We should look at the long-term ramifications of that and focus on the fundamentals. This is about finding Google before it was Alphabet or Amazon before it was Amazon. It is not about making a quick buck on what you expect a stock to do on a given day.

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