

Cannabis in Canada – a year in review: Part 4 of 4

December 2019

☀ 12-month gateposts

October 17, 2019 marked one year since the Canadian government legalized recreational cannabis in the smoking format, and the day on which other formats (vaping, topical creams, edible) were legalized. The period from October 2018 to October 2019 has been marked by conflicting, competing and convoluting market forces in the Canadian cannabis sector, some of which are highlighted herein.

☀ Crowd sourcing of a different kind

BDS Analytics reports that there are [more than 200 publicly-traded cannabis stocks](#) in North America. The Marijuana Universe lists [444 marijuana stocks](#), defined by having filed financial statements within the past year and maintained a minimum average daily trading volume of US\$100. Expert stakeholders (economists, market analysts, lawyers) acknowledge that the market is overcrowded. M&A transactions are escalating as the sector wheels-and-deals to right-size itself. To the point, a recent webinar hosted by [law firm Aird & Berlis' cannabis group](#) addressed the myriad considerations pertinent to buying or selling a cannabis firm, including cross-border issues.

☀ Rollercoaster open market value (OMV)

The longest-standing and most credible index of publicly-traded cannabis companies, [The Marijuana Index for Publicly Traded Companies](#), lists 25 United States stocks and 20 Canadian stocks. Use of the term “marijuana” rather than “cannabis” reveals a US-based location. The 52-week period high of US\$319.73 in March bottomed out at US\$108.50 in early December, currently resting at US\$113.21.

☀ While “We the North” leads the pack...

The top performer of the North American Marijuana Index is Canadian-operated Canopy Growth (NYSE) with a trade value of US\$148.73mm. Canadian-operated and traded Aurora (TSX) is in a distant yet honourable fourth place with a trade value of \$US31.44mm (CDA\$41.45mm).

☀ ...heads are spinning

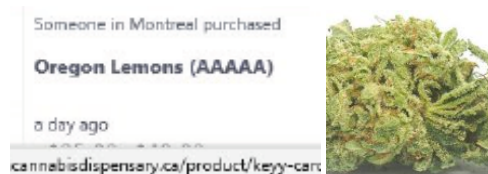
Top lines are not good enough. Directors want profit; banks want payments; investors want dividends, all of which are thin on deliverables. Symptomatic of the sector's growing pains, earlier this month, Canopy Growth appointed its [third CEO in five months](#).

☀ 400 pot stores and C\$908mm revenue

In alignment with the Federal mandate of liberalizing access to legal cannabis, Statistics Canada recently published a snapshot of the one-year young [Canadian cannabis retail market](#). Total revenue represents both retail and online sales.

☀ Fed's strategy: block and occupy

The average commute to the nearest bricks-and-mortar cannabis outlet fell from 66 km in July to 34 km in December. This unit of measure is to assess the Federal government's attempt to out-maneuvre the illegal black market. Further, as the number of pot stores grew, online sales declined, from a whopping 43.4% of total sales in October 2018, to only 5.8% eleven months later, in September 2019. Nevertheless, online sellers employ the standard baiting techniques of internet selling:



☀ Per capita sales tell a different story

The YK leads at \$103, followed by PEI at \$97. YK and NWT residents are ~equidistant from the nearest pot store - 100 km and 103 km respectively - and share a similar population (YK @ 41k; NWT @ 45k). Yet, YK sales at \$4.2k and NWT sales at \$2.7k result in a per capita of YK \$103 and a NWT \$61. The report does not offer an explanation.

☀ More of a whimper than a shout

The media was primed and hyped to film door-crashing edible cannabis sales once December 17th rolled around. It did not happen. Wanna-be members of the Canadian edible cannabis scene are frustrated with the snail's pace at which [edible cannabis](#) processing licenses have been issued by the Federal government. Stakeholders have set a launch date during Q1 or Q2 2020 before any appreciable amount of edible cannabis will be available for sale in Canada. **FF**

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