

Slow, steady growth leads to 30% higher revenues for local cannabis business

DELTA 9 RIDING HIGH

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IT'S BEEN A PARTICULARLY HIGH time at Delta 9 Cannabis.

The Manitoba-based weed producer has seen a nearly 30 per cent increase to net revenue in the past three months alone, going from \$13 million this time last year to \$16.75 million in earnings during the second quarter of 2021.

And while just in April, the company had plans to open an 11th store in Winnipeg, not only does Delta 9 now have a 12th pot shop in the country, but it plans on having up to 20 storefronts across Canada by the end of the calendar year.

Those gains are a rarity in the cannabis sector, which many industry watchers say has evidently staggered since federal legalization in 2018, mostly because of regulatory hurdles and stiff competition with the black market.

In fact, there's currently 1.1 billion grams of surplus weed sitting in warehouses, according to recent estimates. That excess cannot be sold because customers continue to rely on bootleg operations which offer a lot more variety with cheaper prices, poll after poll shows.

In an interview with the *Free Press* Tuesday, chief executive officer John Arbuthnot explained how his enterprise has managed to beat

many odds in the still-developing business sector.

“There’s no denying it. It’s a very uncertain industry,” Arbuthnot said. “The key thing for us is to be incredibly smart about where we know gains can be made.”

As one of the original 13 companies to be licensed by Health Canada, Delta 9 did have an early advantage.

But unlike most of those companies and the ones that came after, Arbuthnot was a quick proponent of the vertical integration strategy. It’s an arrangement that allowed the business to control the supply chain for itself, by itself — thereby controlling its suppliers, distributors and retail locations altogether to reduce cost and improve efficiency.

On top of that, Delta 9 has also made significant strides within its online infrastructure — understanding the market not just for sales direct to consumers, but also direct to businesses (otherwise called B2B).

“There’s a big problem with oversaturation now, because there’s too many players in the field,” Arbuthnot said.

“So, to expand within this segment, you have to keep expanding down to the retail chain.”

It’s why new stores for Delta 9 keep popping up — and many more are expected to come. Right now, there are seven Delta 9 shops in Winnipeg; and one each in Brandon, Thompson, Grande Prairie, Calgary, and Lloydminster.

“There’s a lot of articles that pop up now about the struggle with

getting investors for producers in our industry,” Arbuthnot said. “And yes, there is some truth to it; but most of it is the classic case of buy the rumour, sell the news.”

Citing the several consecutive reports for Delta 9 that showed positive EBITDA (earnings before interest, taxes, depreciation and amortization), he said his company continues to add value to the Manitoba economy and the Canadian industry at large.

“The sky hasn’t fallen, even when many of our peers are now seen to be leaving the sector,” Arbuthnot said.

Still, he admitted, there are many hurdles with expanding to other markets in North America — specifically in the U.S., where state-to-state laws regulating cannabis sales differ starkly.

“A lot of people had hoped things would be different with President Joe Biden’s administration. We’d seen frenzy around this during their elections, but certainly, that isn’t something at the top of their agenda,” Arbuthnot said.

“But right now, it’s a waiting game of ‘when’ and not ‘if’ with U.S. legalization. And in the meantime, we will keep doing our B2B operations there, which is legal. At the same, we’ll keep learning from this market with the mistakes and wins by having Canada ahead of them.”

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John Arbuthnot, CEO of Delta 9 Cannabis, in the company’s store in Osborne Village. There are seven Delta 9 shops in Winnipeg, and one each in Brandon and Thompson, in addition

to several locations in Alberta.

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**Joints are pre-rolled at the Delta 9 Cannabis facility in
Winnipeg.**

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