

Labat Africa ramps up cannabis retail expansion with new deals

Labat Africa, which aims to be the number one healthcare company in South Africa with a focus on medicinal cannabis, is diversifying its offerings through strategic acquisitions and retail expansion.



Source: Gabriel Yaffes via Labat Africa

The JSE-listed investment holding company has acquired a 100% share in Miami-owned CBD lifestyle brand Echo Life including its diverse FMCG product portfolio. In addition, Labat has obtained exclusive rights to distribute American pre-rolled hemp smokable Ace & Axle as well as the brand's other products, and will be launching Delta 8 soon.

These deals come off the back of Labat's listing on the Frankfurt Stock Exchange (FSE) and an R300m cash injection from California-based GR Global Ventures in exchange for ordinary shares, funds of which will be allocated over a three-year period.

Echo Life and Ace & Axle will form part of Labat's retail portfolio that already includes Cannafrika, a medicinal and luxury CBD lifestyle brand with three outlets in South Africa and an online store, and three more stores opening in the coming months. In addition, e-commerce exists for Cannafrika, Echo Life and Ace & Axle, respectively.

According to Labat's group executive for business development, Herschel Maasdorp, the company's expansion presents potential investors with a unique opportunity to diversify their stock portfolios as it comes with solid growth prospects. "Labat is a first mover in the cannabis economy and a market leader. We are involved across the value chain in the cannabis industry, from farming and manufacturing to beneficiation, distribution and, more recently, retail."



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Importance of compliance

Labat notes that it's going into the market with retail products that are compliant with health regulators. Cannafraica's products, which include cannabidiol medicinal drops, edibles, and supplements, are aligned to South African Health Products Regulatory Authority (Sahpra) regulations whereas Echo Life adheres to standards set out by the US Food & Drug Administration (FDA).

Labat's director of retail, David Roque, said being compliant with the respective authorities not only gives credibility to its products but also provides the consumer with peace of mind.

"As with any emerging industry, there are a lot of new players, some of whom may not comply with regulations. Consumers are unaware of the contents of those products and its effects. We place great value in compliance so that the customer knows that Cannafraica and Echo Life products are safe and can be trusted."

Retail foray paid off

Labat leaped into retail in the thick of the Covid-19 pandemic when it opened its first of three Cannafraica stores in Cape Town in October 2020. It has since evolved the Willowbridge Cape Town store into a retail 2.0 offering, which is South Africa's first cannabis experience store and has also opened additional outlets in Johannesburg and Hartbeespoort as well as an online store.

According to Labat, Cannafraica's sales activities increased during and after the hard lockdown as consumers sought ways of maintaining their health. "The pandemic placed a premium on wellness and self-care," said Maasdorp.

He said the substantial evidence that supports CBD's anti-viral, anti-anxiety and anti-inflammatory properties made it highly attractive in the midst of a global pandemic.

Maasdorp however cautions against making grand claims about the product's curability. He said that education and research into the benefits of the product is still ongoing. "The most important thing for Labat Healthcare is to remain transparent and ethically accountable to ensure the company's and the industry at large."



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Springboard into Europe and US

Labat Healthcare is working to transform cannabis from a back-alley product to a sophisticated legal commodity. The

company's CEO, Stanton van Rooyen, said its transition from the informal sector to a formal economy enhances Labat's retail business, while it also offers a springboard to Europe and the USA through the FSE listing and its deals with American-based products.

"Labat's responsibility is to ensure that we take the proposition of South Africa – with its quality raw materials and processing capabilities – to the globe by being part of the largest capital markets in Europe and the USA," said Van Rooyen.

According to Statista, the USA is the globe's biggest and most sophisticated cannabis market valued at \$61bn (R927bn). Recreational cannabis alone is predicted to exceed \$40bn (R619bn) in annual sales by the year 2026.

Prohibition Partners, a cannabis market think-tank, predicted that Germany will continue to lead the European cannabis market as over a million German patients will have access to medical cannabis by 2024, and the German medical market alone will be worth €7.7bn (R135bn) by 2028.

Van Rooyen believes Labat's global footprint can be extended largely through its retail portfolio. "It is evident that for us to engage the cannabis economy on a global stage, partnering with and acquiring international retail brands remain an integral part of our strategy. This will give us the opportunity to broaden our retail reach to international consumers as well as bring quality international products to South Africa."

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