



## This Emerging Industry Is Already Triple the Size of Legal Marijuana

### Description

Legalizing an industry with resilient demand that's been pushed to the black market for decades should be a sure-fire way to create an economic boom. Canada's groundbreaking experiment with legalizing cannabis has already brought in \$186 million tax revenue over the first six months and has shot the valuation of [several producers to the stratosphere](#).

As the legalization wave spreads across the world, a major new industry could be added to the legal economy. However, investors seem to be overestimating the true impact of this trend. Market expert Grand View Research estimates that the global sales of legal weed could be worth \$66 billion by 2025.

By comparison, the legalization of sports betting and online gambling could have a much larger impact. According to data published on Statista, the global gambling industry is worth \$495 billion in 2019. 40% of that could be attributed to sports betting, which means the market is *already triple the size of legal marijuana*.

The United States, as one would expect, is the largest market for both industries. While the U.S. hasn't legalized marijuana on a federal level yet, it did reverse a ban on sports betting earlier this year.

The U.S. Supreme Court has ruled that the *1992 Professional and Amateur Sports Protection Act* violates their constitution's Tenth Amendment. This means states can now allow sports gambling, an activity on which Americans spent an estimated \$150 billion illegally last year.

At the forefront of this revolution is Toronto-based **Stars Group** (TSX:TSGI)(NASDAQ:TSG). Canadian investors who can't legally bet on sports themselves seem to have overlooked this massive conglomerate. But the company's brands, such as BetEasy and Sky Vegas, are well known in Britain and Latin America.

The company operates in over 21 jurisdictions where online betting or sports gambling is permitted to varying degrees. Over the first six months of this year, the company has generated US\$1.2 billion in revenue and US\$32 million in net profit. That means it could generate US\$2.4 billion in sales and US\$64 million in profit by the end of the year.

At its current market value (\$5.8 billion), the company trades at roughly double the value of trailing sales, 40% premium to book value and 10 times the value of annual free cash flow. In other words, it

seems to be fairly valued.

However, margins in this industry are razor thin because competition is so high. The regulatory hurdles also add to the costs for Stars Group. All this could change depending on who dominates the pivotal American market.

The group's partnership with Rupert Murdoch's media conglomerate is its biggest strength. Star announced a partnership with FOX Sports, a unit of Murdoch's **Fox Corporation**, to launch a sports-betting app in the U.S. this year. Fox is one of the largest sports broadcasters in the country.

This partnership makes me optimistic about Star Group's prospects of fighting off the competition and dominating the American market for sports betting. I believe the company's bottom line could be dramatically boosted over the next few years.

### **Bottom line**

Don't miss out on an opportunity that is already multiple times larger than the legal weed sector.

### **CATEGORY**

1. Investing

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