



E-Cigarette Statistics Show Why Cannabis Stocks Are Just Getting Started

Description

E-cigarettes are currently roiled in controversy, albeit sales growth remains positive. Looking back, it's amazing how quickly this industry emerged.

In 2013, the global vaping market was worth just \$4 billion. This year, it's expected to approach \$20 billion, which represents 500% growth in just six years.

By 2023, Euromonitor International expects the market size to surpass \$45 billion. Given that the traditional cigarette market is worth around \$1 trillion worldwide, decades of growth could be ahead for e-cigarettes.

Few markets are capable of this type of momentum, yet the [cannabis industry](#) looks the part. In fact, despite the hype around legalized marijuana, the data suggests that the growth has just begun.

Just getting started

The e-cigarette market shows just how quickly these markets can form and accelerate. The traditional tobacco market shows how large these markets can become over time, yet there are many cannabis-specific data points that also suggest a positive future.

In 2018, the U.S. market generated \$8 billion in legal cannabis sales. Over the next several years, **Cowen Inc** believes that the market will grow by 30% annually, surpassing \$30 billion by 2025. Several other investment banks and research firms have corroborated this projection.

Canada is expected to experience similar growth, although the country's sales ramp is a bit ahead of its southern neighbour.

In February of this year, for example, Canadians purchased \$49 million in legal pot. By June, sales had reached \$85 million.

Given that the sale of popular form factors like edibles and concentrates weren't legalized until this

October, expect monthly sales to pick up considerably as 2019 comes to a close.

It's not just industry-wide sales that are projected to rise, however. Revenue for nearly every pot stock is expected to ramp in 2020 as the market matures and consumer preferences are better aligned.

Canopy Growth Corp ([TSX:WEED](#))(NYSE:CGC) is expected to generate US\$310 million in sales this year.

Next year, however, sales are expected to more than double to US\$706 million. Some analysts believe sales will grow by more than 40% annually over the next five years.

Its tie-up with **Constellation Brands** will surely help it capitalize on the burgeoning consumables category.

Cronos Group ([TSX:CRON](#))([NASDAQ:CRON](#)) is another cannabis company set for rapid growth. Analysts expect just US\$38 million in revenue this year.

By the end of next year, that figure should grow to US\$133 million. Tobacco behemoth **Altria Group Inc**, which controls half of U.S. cigarette sales, took a 45% position in the company this year.

If any stock is capable of becoming an industry giant, it's Cronos Group, as it now has the expertise, funding, and influence of a firm with decades of success in highly-regulated markets.

The biggest sales gains, however, will be recorded by smaller competitors such as **HEXO Corp.** ([TSX:HEXO](#))(NYSE:HEXO).

With a market cap of just \$600 million, HEXO generated just US\$36 million in sales this year. Next year, analysts expect sales to ramp to US\$86 million.

By 2021, sales could approach US\$200 million. With a differentiated platform approach to cannabis, this could be a long-term winner that few pot investors are paying attention to.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

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Date

2025/08/20

Date Created

2019/11/21

Author

rvanzo

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