



Molson Coors (TSX:TPX.B) Could Strike It Rich in 2020 With New Cannabis Drinks

Description

Molson Coors Canada Inc. ([TSX:TPX.B](#))([NYSE:TAP](#)) is one of the best-known beverage companies in Canada. Its roots stretch back to 1786, when John Molson founded the Molson Brewery, the oldest brewery in North America as well as Canada's second-oldest company.

Today, Molson has expanded globally, with dozens of brands and millions of annual customers. Despite its long and storied history, 2020 could be a [year of firsts](#).

In 2018, Molson partnered with cannabis producer **Hexo Corp.** ([TSX:HEXO](#))(NYSE:HEXO) to co-create cannabis-infused drinks.

"Canada is breaking new ground in the cannabis sector and, as one of the country's leading beverage companies, Molson Coors Canada has a unique opportunity to participate in this exciting and rapidly expanding consumer segment," Molson's management team said.

"While we remain a beer business at our core, we are excited to create a separate new venture with a trusted partner that will be a market leader in offering Canadian consumers new experiences with quality, reliable and consistent non-alcoholic, cannabis-infused beverages."

The partnership got off to a slow start as many consumables categories weren't legalized in Canada until October of this year.

It appears that there was a great deal of progress behind the scenes, however, as the company recently revealed that its new products will hit the shelves as early as this month, with scaling efforts expected in early 2020.

The market isn't ready for it, but both Molson and HEXO shares could explode if early traction is achieved. How likely is that? Let's find out.

Ignorance isn't bliss

Thus far, most cannabis investors have ignored non-smokable cannabis form factors. Analysts and even cannabis companies themselves have invested very little in the space. That's a mistake.

Looking at the numbers, categories like cannabis-infused beverages could ultimately *exceed* the market size for traditional form factors like dry flowers and concentrates.

How big could cannabis-infused beverages get? As with any early-stage product, no one is certain, but we can glean some helpful clues from similar markets, namely the alcohol industry.

Alcoholic beverage sales in Canada is set to reach \$51 billion this year. That's an incredible figure that works out to more than \$1,500 per Canadian adult. Long-term annual growth of 2.6% is expected — roughly triple overall population growth.

Canadians simply love their alcohol. Could this demand translate to cannabis drinks? Absolutely.

Given that traditional cannabis turned into a multi-billion market in a handful of years, it won't be surprising to see cannabis beverages follow a similar path.

Today, sales of cannabis-infused beverages in Canada is roughly zero. At just 10% the size of the alcohol market, this could be a \$5 billion opportunity.

When it comes to tapping this nascent market, Molson and Hexo lead the pack, allowing their partnership to establish early adoption and brand loyalty, not to mention building growing data set on user preferences and buying behaviour.

Molson generated \$2 billion in sales this year in Canada. There's a chance that its cannabis business could add \$1 billion to that figure over the next few years alone.

HEXO, meanwhile, is expected to generate less than \$200 million in sales next year. Its Molson partnership alone has the potential to double that estimate.

All of this depends on whether consumers will consume cannabis drinks in a similar manner to alcoholic drinks. If even a small fraction of alcohol consumers take the plunge, Molson and HEXO will be minting millions.

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