



Growth Op: Cannabis Is a Multi-Billion-Dollar Opportunity

Description

Analysts' forecasts of Canada's bud industry range from a peak market size of \$2.5 billion in 2020 following full legalization (Mackie Research) to \$8 billion by 2024 (Dundee Capital). This multi-billion-dollar growth opportunity, combined with the accommodating platform of the Liberal Party, has created a very bullish case for marijuana across both the medical and recreational spectrum.

Patient enrollment in medical marijuana expected to exceed estimates

Currently, Health Canada forecasts the medical marijuana market to reach 450,000 patients by 2024 with \$1.3 billion in annual sales. However, according to analysts from Dundee Capital, that estimate is too conservative. Based on the success of legalization in a number of states in the U.S., Dundee estimates that medical marijuana sales could reach \$3 billion in annual sales alongside a recreational market of \$3-5 billion in annual sales. Furthermore, patient enrollment is estimated hit 100,000 by Q1 of 2017—far exceeding Health Canada's estimates.

Recreational opportunities will be even greater than health care

Based on Colorado's example, the recreational market is poised to grow even greater than the medical sector after legalization. Furthermore, in April of this year the Trudeau government announced it will be filing a bill in spring 2017 for the legalization of recreational marijuana. Moreover, the government has also commissioned a federal-level task force composed of health professionals, academics, and members of law enforcement to determine the feasibility of recreational legalization.

If the task force's findings, scheduled to be released in November of this year, are favourable, legalized recreational marijuana could be a reality as early as 2018. This potential for full-blown legalization, combined with estimated peak sales of over \$5 billion by analysts, has led to overwhelming bullish sentiment around the small-cap producers, which are mostly listed on the TSX venture.

Caveat emptor: legalization is not a sure thing

Though we may be on the precipice of legalization, it doesn't mean that it is a certainty.

First and foremost, is a favourable opinion of the Federal task force is needed; then, of course, is the long road towards royal assent for the proposed legislation.

Second, while the majority of Canadians currently support legalized marijuana, a survey by the Canadian Medical Association found that most doctors recommend further research on the harms of cannabis usage. Doctors also agree that THC, the main psychoactive compound in marijuana, must be carefully regulated.

Third, legislation on the national level must be considered within the context of existing international treaties—as archaic as they might be. Legalization on a national level would pressure the Canadian government to either elevate marijuana as a constitutional right, which is unfeasible, or bow out of international treaties.

Although there is still a hazy cloud of uncertainty surrounding legalization, if you must speculate, **Canopy Growth Corp.** (TSX:CGC) might be the safest bet, owing to its established market position and cross-border partnerships in both the recreational and medical facets of the business.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WEED (Canopy Growth)

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