



Tapping Into the True Potential of Cronos Group (TSX:CRON)

Description

2018 was a banner year for marijuana stocks across North America. Over the past 12 months, the **Canadian Marijuana Index** (managed by MJIC) is up 10%, while the **S&P/TSX Composite Index** is down 11.5%. Star performers were driven mostly by the wave of marijuana legalization across North America. This year, that wave could spread further across the world.

However, the exuberance of last year must be reconciled with reality sooner or later. The combined market value of all the marijuana companies listed on the market today is \$48.7 billion. That's one-fourth the estimated global market size of recreational and medical marijuana in 2030.

The next few years will see the winners separate themselves from the losers, as the market matures and a few dominant players emerge. One of those players with the potential is the pure-play marijuana producer **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)).

After delivering 6,500% since going public in Canada in 2016, Cronos is now widely regarded as the best-performing marijuana stock of all time. CRON is now worth \$2 billion. Four major developments over the past year will shape the company's strategic direction for decades to come.

Obviously the biggest development was the [\\$1.8 billion cash injection](#) from tobacco giant **Altria**. The big tobacco firm now owns 45% of Cronos, with options to increase its stake further.

If you do the math, you'll realize that Altria paid a premium for Cronos stock when the deal was announced in December. The company paid \$16.25 per while the stock currently trades at \$15.80 and was much lower last week.

Another major development was a groundbreaking deal with Ginkgo Bioworks in September 2018. Boston-based Ginkgo Bioworks is a unicorn startup backed by Bill Gates. The team has agreed to share its bio synthesizing platform with Cronos. The company can use the platform to create custom microorganisms for cannabinoid production at commercial scale.

The best part about this deal? It's been exclusively offered to Cronos royalty-free. Instead, Cronos has agreed to issue common shares to Ginkgo in tranches based on production milestones.

A move to the Nasdaq and a production expansion deal with Cronos GrowCo round off the company's long list of achievements in 2018. By the end of this year, Cronos will be one of the top 10 producers in the sector, backed by a tobacco giant and listed on the primary exchanges of both Canada and the U.S.

If you account for all the votes of confidence Cronos has received over the past year, it's difficult not to be optimistic about the company's future. A widely respected bio-engineering startup has offered its technology in exchange for stock. Altria's recent deal with e-cigarettes maker Juul shows the company has a knack for picking winners in this evolving sector.

Altria's deal with Cronos will put nearly as much cash on the book as the company's current market capitalization. At \$2.1 billion, Cronos is barely 1% of the potential market for weed in 2030. Based on these recent developments, it has the capacity to take a serious bite out of that lucrative future market.

In my opinion, Cronos is one of the most attractive opportunities in the endlessly exciting legal marijuana space.

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