



3 Reasons Why Cronos Group (TSX:CRON) Is a Better Investment Than Aurora Cannabis (TSX:ACB) Stock

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) has garnered a lot of the attention thus far among pot stock enthusiasts, along with the likes of peers **Canopy**, **Aphria**, and [a handful of other licensed Canadian producers](#).

Yet there's another multi-billion-dollar Canadian cannabis producer that has, up to now, been flying under the radar, and it's one that investors ought to be paying a lot more attention to.

I'll highlight what I feel are three important reasons investors should think about giving more love to **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) and the company's intriguing vertically integrated business model, rather than Aurora Cannabis and some of the industry's other more well-known, big-name players.

Cronos's vertically integrated strategy just makes a whole lot of sense

The more time that I spend thinking about the merits of Cronos's vertically integrated business model, the more I wish I had given it more thought earlier in the game — like maybe at the beginning of last year before the value of CRON stock would go on to nearly triple in value.

Instead of following the conventional model of growing, branding, and selling cannabis product — the same model that is being pursued by nearly every other Canadian licensed pot producer out there these days, Cronos has decided to take a different approach.

Cronos's strategy is to source its raw cannabis product directly from independent cultivators.

The fact that traditionally — and the case of the cannabis plant should, in theory, be no different — farmers have only been able to extract minuscule profit margins from their harvests means that Cronos can spend more time focusing on higher-value activities related to the branding and marketing of its

product line.

Aurora seeks to acquire target companies. Cronos was acquired as a target company

Investors should be skeptical when they see a company aggressively pursuing M&A activity, as it can (and often does) lead to disastrous results for shareholders.

Aurora has been on a spending spree of historic proportions as of late, and while I appreciate the proactive approach to try and secure market share in rapidly growing industry, [I appreciated it even more](#) when mega-cap company **Altria Group** (formerly known as Phillip Morris) stepped up to buy a multi-billion-dollar control stake in Cronos.

Even in light of Altria's massive \$102 billion market capitalization, a \$2 billion investment is far from "chump change" for the historic tobacco giant and certainly gives reason to have (a lot more) confidence in the company going forward.

Altria's management experience should prove invaluable as Cronos expands internationally

The depth and breadth in Altria's management team should prove invaluable for Cronos and the company's shareholders, as cannabis firms compete aggressively to secure their own share of the international pot pie.

In an industry already ripe with inexperience, not to mention mostly uncharted waters, Altria's past successes in creating markets and bringing products to consumers could end up being a deal maker and help Cronos separate itself from the rest of the pack.

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