



These Pot Stocks Are Flush With Cash

Description

Cannabis companies need an enormous amount of cash in order to bankroll their plans to enhance production capacities, acquire other weed companies, and build scale in the domestic and international markets. There's a need to have financial benefactors otherwise, without money there is no honey.

Canopy Growth Corp. ([TSX:WEED](#))(NYSE:CGC) and **Cronos Group Inc.** ([TSX:CRON](#))(NYSE:CRON) have amassed the cash resources to realize their business objectives. Canopy Growth's market cap is \$15.4 billion more but the amount is relative. Cronos has more than enough dough to be a worthy rival.

Showing off financial muscle

Canopy Growth is the premium, if not the leading operator in the cannabis sector. The company grew its financial muscle by US\$4 billion when it struck a strategic partnership with **Constellation Brands** ([NYSE:STZ](#)). With the massive capital infusion, Canopy Growth is now the world's most valuable weed company.

Cronos Group beat Canadian cannabis producers in uplisting from the over-the-counter exchange to a more respectable U.S. exchange. The move was intended to for institutional investors. Rightly so, tobacco giant **Altria Group Inc.** ([NYSE:MO](#)) came knocking and invested US\$1.8 billion.

Just to illustrate the sheer size of the investments, Constellation Brands equity is 23.2% of Canopy Growth's current market cap. Altria's monetary infusion translates to 24.5% of Cronos' present market cap. The percentage is almost identical relative to the size of the two weed companies.

While both American partners understand the strategy is long-term, they are counting on their Canadian counterparts to deliver. Canopy Growth and Cronos are getting prime time coverage because of their established and [wealthy business partners](#).

Disbursing the cash

Canopy Growth made headlines recently when the deal to acquire the [rights to buy U.S. cannabis operator Acreage Holdings Inc.](#) was announced. The deal will only materialize once marijuana is given the green light at the federal level. With the help of Constellation Brands, the seeds for U.S. expansion are being planted.

Cronos will be utilizing the funds received not only to increase production capacity, but to develop new products. Altria is hoping success to come in the next three to four years at most. The Marlboro-cigarette maker has four years to decide and exercise its option to increase its 45% equity stake to 55% if everything goes well.

Stock performance

Despite the well-laid future plans and dependable partners, the price movements of the cannabis stocks are still unpredictable. While WEED started strong at the start of this week and has ended higher in the last the two weeks, it's not for certain if a breakout is nearing.

CRON is more erratic although the stock is up 58.67% year-to-date. The current price of \$22.98 is very close to its 50-day moving average of \$24.84. In recent trading sessions, the share price rose by more than \$1.86. Investors' support is tentative because they want to see Cronos secure more supply deals.

These two cash-rich weed companies are perceived as high-growth stocks. Canopy Growth is ahead in production capacity, but Cronos believes that developing cannabis could prove more valuable.

CATEGORY

1. Cannabis Stocks
2. Investing

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2. NASDAQ:CRON (Cronos Group)
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4. TSX:WEED (Canopy Growth)

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