



Is Cronos Group (TSX:CRON) a Buy Right Now?

Description

Cronos Group Inc ([TSX:CRON](#))([NASDAQ:CRON](#)) has had a mixed year so far. The first three months or so saw the firm's share price make giant leaps forward. However, a series of bad news have brought it back to earth.

Cronos released its fourth-quarter earnings report in March, and more recently, its financial [results](#) for the first quarter of the current fiscal year. Both times, Cronos disappointed investors. However, could now be a good time to buy shares of Cronos? What is the Toronto-based pot company doing that might be attractive to investors?

Why Cronos might be an enticing opportunity

Perhaps the most intriguing thing about Cronos is its partnership with tobacco giant **Altria**. This partnership is important for at least two reasons. First, Altria is an excellent business partner, particularly as it has experience with controlled substances.

Although Altria has not been doing well recently, Cronos could definitely benefit from its leadership and industry know-how. This partnership could also allow Cronos to enter alternative sectors of the market.

During Altria's fourth-quarter earnings conference call (back in January), CEO Howard Willard said the following, "I think that both we and Cronos think there are opportunities really across the world in a variety of product categories, both recreational and medicinal, that would involve them entering new product forms and developing new products and new product brands."

Second, Cronos benefits from its partnership with Altria by having access to a boatload of cash. Indeed, the amount of cash and cash equivalents on Cronos' balance sheet has increased exponentially since last year. Cronos is one of the pot companies with the most amount of cash at its disposal, which means that the firm no longer needs to rely on dilutive forms of financing to fund its growth.

Cronos has yet to put the cash it owns to good use, but there are several ways in which it could do so. The most obvious is, of course, by acquiring other marijuana companies. There are hundreds of firms — both in North America and elsewhere — that are prime targets for a firm such as Cronos to acquire.

And yet...

Cronos certainly looks well equipped to profit from the growing cannabis market, which is expected to become a multi-billion dollar industry. Why, then, has the company been issued sell-ratings by Wall Street analysts on at least three separate occasions over the past three months? One reason could be that Cronos' sales and revenues pale in comparison to industry leaders — and the company's production capacity is in the same boat.

In principle, Cronos could increase its position in both of these areas by making shrewd acquisitions. But the Toronto-based pot grower has yet to do so, while some of its competitors have made major headway. Thus, it is becoming increasingly difficult to justify its price tag that seems hefty in comparison to many of its peers with similar or even better growth prospects.

In short, despite its attractive qualities, it might be better to stay away from Cronos, at least for the time being.

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