



## Should Cannabis Investors Buy Into the Biosynthesis Hype?

### Description

The cannabis space is getting interesting again ahead of the legalization of edibles and other peripheral products this fall. With **Aphria** rocketing on an encouraging quarterly win (and creating a much-needed tailwind for other marijuana stocks in its wake), investors are eyeing the hegemony of the fledgling sector with their appetite for risk and upside renewed.

However, one stock in particular has been grabbing the attention of pot stock believers.

That stock is **Cronos** ([TSX:CRON](#))([NASDAQ:CRON](#)), and the reasons for its rise to prominence this week have been threefold. First of all, Cronos is planning to bolster its business by bringing biosynthesis into its purview. Second, it's just announced a clever strategic acquisition. And third, Cronos has hitched a ride on the bullish sentiment floating around the pot stock world thanks to Aphria's recent success.

### Biosynthesis is a distinct cannabis investment sector

Potentially cheaper than traditional methods of cultivation, biosynthesis could form the nexus of its own investment segment. However, not only could companies harnessing biosynthesis cut costs with the miraculous process, they could also extract cannabinoid compounds that are usually not feasible to access through other means, leading to products inaccessible to competitors. This alone could send related companies soaring on the TSX.

Cronos teamed up with **Ginkgo Bioworks** last year in its biosynthesis push, putting Cronos front and centre in this segment. While a competitor in the biosynthesis space could steal the crown from Cronos by snapping up its own deal, there is still the chance to cream some tasty upside until that happens. However, Cronos could also position itself to sell rare cannabinoids for medical research and undercut the competition. In short, it could end up having the lion's market share if it plays its cards right.

### A wide-moat pot stock with a smart acquisition strategy

Partnership with Ginkgo Bioworks was smart, but its latest deal also pushes the envelope: Cronos is buying instant American CBD access by snapping up **Lord Jones**, a CBD beauty brand popular in the U.S. This gives Cronos [instant access to the American CBD market](#), which covers a glittering array of products that goes far beyond the usual routes of consumption.

From beauty products to foods and topical oils, CBD is entering the mainstream (as well as the bloodstream) of the U.S. The news sent Cronos shares up nearly 10% last week, with the potential for further upside at the next quarter.

In a statement, CEO Mike Gorenstein said that part of Cronos's goal in acquiring Lord Jones was, "leveraging Cronos Group's resources to capitalize on the significant demand for skincare and other consumer products derived from hemp." The deal follows on from last year's \$1.8 billion investment from tobacco company **Altria** and displays an ongoing canny deal-making strategy on the part of the cannabis producer.

## The bottom line

Tailwinds from Aphria's big quarterly win combined with innovative deals that bring access to biosynthesis, American CBD, and a massive cash injection from a major tobacco firm all add up to [a strategic play in the cannabis space](#). In short, Cronos has what it takes to stay in the game long enough to become a major player in cannabis production, with the ability to amply reward investors.

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