



## 2 Top Pot Stocks That Could Disappear by 2025

### Description

After rising several hundred percent in 2018, most cannabis indexes are down 50% or more in 2019. To be sure, underlying growth is still moving higher at a rapid pace. Over the next five years, the cannabis market is expected to grow at more than 20% annually. The issue isn't demand, but expectations.

As with any other hyper-growth market, pot stocks have undergone the classic hype cycle. Invented by analytics firm Gartner, the hype curve plots an industry or technology on a chart that compares expectations versus reality.

When a new product is first introduced to the mainstream, expectations typically soar, even though full adoption is still years away. When reality doesn't match up with initial sky-high expectations, investors and analysts often lose hope. This is the best time to buy.

As Warren Buffett often quips, sell when others are greedy, but buy when others are fearful. After a steep and sudden drop in pot stocks, the industry is full of fear, yet it pays to be cautious. As Warren Buffett is also known to say: when the tide comes in, you'll see who's been swimming naked.

The recent pullback has unearthed some incredible opportunities, but it's also given us a glimpse into which companies may disappear.

The following two stocks could disappear by 2025, but for very different reasons. One stock is a big opportunity, while the other could go bankrupt.

### Lost without a paddle

Last year, **Green Organic Dutchman Holdings Ltd** (TSX:GOD) was on fire. The stock moved from \$4 to \$8 per share after it inked a partnership with **Aurora Cannabis Inc**, which had a \$10 billion valuation at the time.

The agreement granted Green Organic critical assistance from Aurora in scaling its grow operations. It

also committed Aurora to purchasing 20% of Green Organic's production.

This September, it all fell apart as Aurora terminated the agreement, putting Green Organic in an incredibly difficult position. Without a cornerstone partner to purchase and promote its cannabis production, the company will enter a fierce, commoditized market.

And while organic pot has fetched a higher price than conventional pot, Green Organic has the potential to flood the market, ruining the entire segment's excess profits.

Management is putting on a brave face, but Green Organic is stuck upstream without a paddle. Its first two grow facilities reach first production this quarter, and the market isn't ready for the new supply. Sales are still expected to spike next year, but profits may never come.

## Connect the dots

**Cronos Group Inc** ([TSX:CRON](#))(NYSE:CRON) group, meanwhile, will likely disappear for an exciting reason. In December of 2018, the company struck a transformational deal with tobacco giant **Altria Group Inc**.

In total, Altria injected \$1.8 billion into the company in exchange for an equity stake. Altria will have a 45% stake in Cronos, with options to acquire the entire company down the road.

With Cronos stock moving lower — shares are down 70% since March — Altria may not be able to resist an outright acquisition. Cronos's market value of \$3.6 billion could easily be digested by \$100 billion behemoth Altria.

Plus, Altria has faced intense growth headwinds in recent months. What better way to goose long-term growth than to acquire a best-in-class pot company?

It's too easy to connect the dots here. The lower Cronos stock falls, the more likely a buyout becomes, which could happen well before 2025.

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1. NASDAQ:CRON (Cronos Group)
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