



## Why This Pot Stock Was Just Crowned “King of the North”

### Description

On October 18, research firm **Stifel Financial Corp** identified its new top cannabis pick. Stifel’s new report, titled “Crowning a New King of the North,” believes that this pot stock has the greatest ability to invest in the emerging \$200 billion global [cannabis opportunity](#).

That’s a huge advantage given that most cannabis ETFs are down more than 50% from their 2019 highs. Those that can continue to invest can capitalize on industry-wide pain.

As I wrote last week, “In a bear market, well-financed competitors often strengthen their businesses, because they can afford to expand and optimize while others are struggling to survive.” Even more dramatically, they can buy their fiercest competitors at bargain valuations. “No one likes a bear market,” I said, “but the strong not only survive, but also thrive when the downturn reverses.”

That’s why Stifel’s top cannabis pick is none other than **Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)). In a volatile market, Cronos has a huge advantage that its competitors simple don’t have. If you want to ride the next decade of marijuana growth, this is the stock for you.

### It’s getting harder

You likely know that the pot industry is experiencing rapid growth. Many analysts expect the global market to more than quadruple in size over the next decade. Some estimates believe industry-wide sales could surpass \$100 billion by 2030.

What you may not know is that market gains won’t accrue to every company. In fact, only a handful of companies may ultimately benefit. That’s because regulation will reinvent the opportunity over the long term.

Consider the tobacco market, another highly-regulated industry with varying rules depending on the specific country or region. The parallels between tobacco and pot shouldn't be ignored, as they likely provides a template for how the market will unfold. Today, just four companies account for about 92% of U.S. cigarette sales. Imports account for just 8% of sales.

What should you make of this? By 2030, the cannabis market will likely be dominated by a few key players. If you want to capitalize on sales growth in other countries, you can better find companies that can operate on a local level.

## All about partners

Everything about the current state of the tobacco market suggests Cronos will be a long-term winner, as it's already partnered with one of the largest tobacco companies on the planet: **Altria Group Inc** ([NYSE:MO](#)).

Last year, \$100 billion behemoth Altria, owner of the iconic Marlboro brand, agreed to invest \$1.8 billion into Cronos, granting it nearly half of the equity.

Long term, Altria is poised to buyout Cronos completely, but for now, its expertise should prove extremely valuable, as Altria has managed to grow in a highly-regulated market for decades.

Since 1980, Altria shares have grown by more than 10,000%. It's fended off some fierce competitors to become one of the largest tobacco companies on the planet. Altria's history of success makes it an ideal partner in the rapidly-maturing marijuana industry.

While the market is focused on which companies are growing pot production fastest, smart investors should be looking at which companies are capable of navigating the next decade of regulation.

Already, there are huge differences between Canadian and American regulation. Even in the U.S., each state has a wildly different regulatory approach. Globally, the picture gets even more difficult.

The biggest barrier to growth over the long run won't be building infrastructure or growing weed. Instead, it will be securing regulatory approvals and local presences across dozens of jurisdictions around the world. With that in mind, it's hard not to see Cronos and Altria leading the pack.

### CATEGORY

1. Cannabis Stocks
2. Investing

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### TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. NYSE:MO (Altria Group, Inc.)

3. TSX:CRON (Cronos Group)

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## **Date**

2025/08/18

## **Date Created**

2019/10/22

## **Author**

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