



\$100 Billion Tobacco Giant Altria (NYSE:MO) Just Bet Big on This Cannabis Stock

Description

The cannabis industry has been hit hard in recent months, with popular marijuana-based ETFs down 50% or more. Yet recent actions from \$100 billion tobacco behemoth **Altria Group** ([NYSE:MO](#)) could signal a bottom. On November 20, Altria purchased four million shares of **Cronos Group** ([TSX:CRON](#)) ([NASDAQ:CRON](#)), adding to its existing position in the company.

Notably, the purchases follow a steep 70% decline in Cronos's stock price. In March, shares were trading near the \$30 mark. Today, they're below \$10, although the latest purchases from Altria caused the stock price to pop by 10%.

I've long been a fan of Cronos, considering it has the backing of one of the largest and most successful companies in the world when it comes to regulated markets. Does Altria's purchase prove that the cannabis rout is finished? Is now the time to scoop up shares of Cronos?

Just getting started

A bunch of [new data](#) has reinforced why cannabis is such a huge investment opportunity. Research firm Prohibition Partners recently projected that the global pot market will reach \$100 billion in sales by 2024. Cowen thinks the U.S. alone could be worth \$80 billion by the end of the decade. Both forecasts rely on full legalization in the U.S. — something that gained in probability this week when the House Judiciary Committee passed a bill to decriminalize marijuana on the federal level.

No matter how you look at it, legal cannabis sales are just getting started. Cronos is on track to hit US\$37 million in sales this year, but in 2020, analysts expect it to reach US\$134 million in sales. That's a 360% increase in 12 months. In 2021, sales could more than triple again.

Long term, the company is bracing to surpass the \$1 billion in sales mark. It'll take some time, but Cronos is clearly putting the right pieces in place for success.

Cronos is ready

Cronos is miles ahead of the competition for one reason: Altria. After its recent purchase, Altria now owns more than 40% of Cronos — a stake worth more than \$1 billion. Suffice to say, Altria is highly incentivized to help Cronos succeed.

When it comes to partners, it doesn't get any better than Altria. In the coming decade, cannabis stocks will live or die based on two factors: their ability to navigate and comply with complex regulations, and their ability to brand their production to avoid the deleterious effects of commoditization.

Cannabis is a highly regulated substance that faces a complex regulatory pathway. Good thing Altria has *decades* of experience navigating markets like this. In addition to experience, it also has a well-documented history of success. Today, it controls more than half of the U.S. tobacco market.

With world-renowned brands such as Marlboro, Altria has also shown an ability to turn commoditized ingredients into value-added products. As increasing amounts of cannabis floods the market, differentiation will be more important than ever. Altria's history of success in this department is unrivaled.

There are several smaller Canadian cannabis stocks that could have *even more* upside, but when it comes to balancing risk with reward, Cronos leads the industry.

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