



## This Pot Stock Is Capitalizing on the Bear Market

### Description

Every pot stock has been crushed. The marijuana bear market of 2019 sent cannabis ETFs down by more than 50%. The [coronavirus bear market](#) of 2020 has compounded the damage.

Pot demand continues to grow. That's not the issue.

In 2019, the problem was commoditization. **Tilray** sent the industry into a nosedive last summer when it reported a pricing collapse. Nearly every competitor soon revealed similar pricing pressures. Investors were suddenly comparing rapid revenue growth with a deterioration in profitability.

The biggest concern in 2020 is access to capital. Consider a company like **Green Organic Dutchman**. The company's quarterly cash burn rate is several factors larger than its current cash pile. If it can't sell stock at a reasonable valuation or access debt markets, the entire business could implode.

Stocks have plunged and credit markets are starting to freeze. These factors alone could radically reshape the pot industry.

### This pot stock can capitalize

Most stocks are punished when markets plunge. Some stocks go to zero. But not every company gets weaker during a bear market. There's one pot stock that can grow *stronger*.

As mentioned, the biggest issues facing cannabis stocks today are commoditization and restricted capital. For **Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)), those challenges are actually opportunities.

Despite a 75% reduction in market cap since the highs of 2018, Cronos is still valued at \$2.6 billion. More important, it has roughly \$2 billion in cash and cash equivalents, despite having virtually no debt. You're almost getting the underlying business for free at current prices.

Cronos is in such an enviable position thanks to its partnership with **Altria Group Inc** ([NYSE:MO](#)),

which infused the company with US\$1.8 billion in late 2018. This cash will allow the company to continue its growth plans regardless of what happens with credit markets. It also won't need to dilute shareholders at basement valuations by selling stock.

Most important, Cronos can continue to take market share from struggling competitors. Pot demand will continue to climb through 2030 and beyond. It's up to existing competitors to capture that growth.

At the moment, Cronos is one of the only firms capable of thinking on a long-term basis. The company can out-invest and outperform nearly every competitor during a downturn. If credit markets seize, Cronos will be licking its chops.

But what about commoditization? Yet again, Cronos takes the lead.

Altria is the ideal partner for a pot stock. The tobacco company controls roughly half the U.S. market with world-renowned brands like Marlboro. Brands are the best way to protect pricing power.

Tobacco is a pure commodity, after all, but Marlboro products are not. You can purchase tobacco from the competition, but you can't purchase Marlboro cigarettes from them.

Branding is the reason why companies can sell a few cents worth of ingredients for a few dollars.

Today, there are established brands for soda (**Coca-Cola**), cigarettes (Marlboro), ketchup (Heinz), and nearly any other item. The brands for cannabis, however, are still being created.

Those that can invest for the long-term and leverage the resources of proven brand creators will win. Cronos meets both of those requirements with flying colours.

## CATEGORY

1. Cannabis Stocks
2. Investing

## POST TAG

1. Cannabis

## TICKERS GLOBAL

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

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rvanzo

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