



Turn \$1,000 Into \$4,000 With This Pot Stock

Description

Everyone wants to find a [multi-bagger](#) stock. That's an investment that could double, triple, or even quadruple in value. These opportunities aren't easy to find, but one pot stock looks the part.

Before we jump into the stock pick, it's critical to understand the recent history of marijuana.

A volatile beginning

In 2018, Canada passed the Cannabis Act, which paved the way for federal [legalization](#) of recreational cannabis. This development set off a massive bull market.

In 2018, marijuana producers were rushing to go public. Companies with no track record to speak of were raising millions of dollars. Nearly every pot stock was surging in value. Unrelated companies were changing their names to something cannabis related to take advantage of the boom.

This exuberant period turned out to be a classic hype cycle. By 2019, pot stocks entered a severe bear market, with marijuana ETFs falling in value by more than 50%. Billion-dollar companies were reduced to rubble. Before a recovery was staged, the coronavirus pounded valuations even further. The cannabis industry still hasn't recovered.

But here's the thing: over the past two years, pot demand has continue to climb higher. Only the stock prices have fluctuated wildly due to shifts in expectations and an erosion in pricing. Long term, some marijuana stocks will be *fantastic* bets. You just need to find a company with low expectations, protection from price cuts, and ample growth opportunities.

This pot stock can win

If you want to quadruple your money, **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)) looks like the way to go.

The first advantage this company has is cash. Last quarter, the company posted \$1.8 billion in cash and cash equivalents. Long-term and short-term debt stood at \$0. When it comes to investing through the drought, few competitors can match Cronos's financial power. That gives it the ability to survive the current crisis and take market share once conditions normalize.

The second advantage is the company's partnership with **Altria Group**. This partnership is the reason why this pot stock has so much cash. Roughly 18 months ago, Altria invested billions into the business for a 45% stake. Warrants mean Altria could eventually take a controlling interest.

This partnership is a huge win for price protection. Altria is worth nearly \$100 billion, selling popular brands like Marlboro to U.S. smokers. The company commands a 50% domestic market share for cigarettes. When it comes to turning commodified ingredients into value-adding brands, Altria is one of the best. Its experience and expertise should help Cronos replicate this success with cannabis.

The final advantage that this pot stock has is valuation. Cronos currently has a \$3.1 billion market cap. When you strip out the cash balance, the marijuana business is valued at just \$1.3 billion. The cash on the balance sheet is worth more than the underlying company!

If Cronos were to replicate Altria's long-term track record, a \$1,000 investment would turn into \$50,000 or more. Even a small shift in sentiment could see the stock price rise several times over. There's no saying when market opinion will reverse, but if you're a believer in pot stocks, Cronos is your best buy-and-hold opportunity.

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1. Cannabis Stocks
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1. Cannabis

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