



Cronos (TSX:CRON) Stock: \$0 or \$30?

Description

Cronos Group Inc ([TSX:CRON](#))([NASDAQ:CRON](#)) is a millionaire-maker stock. The only problem is that it's also a millionaire-destroyer stock. It all depends on timing.

In 2016, shares traded at \$0.20. At the start of 2019, they touched \$30. In just three years, a \$5,000 investment became \$750,000.

Then the cannabis bear market of 2019 occurred. The industry lost *billions* of dollars in value seemingly overnight. Cronos stock wasn't spared, losing 60% in a matter of months. The [coronavirus](#) pandemic of 2020 only added to the pressure. Today, shares trade at \$10 apiece.

It's been a wild ride, but there's reason to be optimistic. Many analysts believe Cronos is primed to retest its former highs. That result would *triple* the value of your investment.

Others aren't so sure. The industry is still dealing with the onslaught of commoditization. Capital, meanwhile, is proving much more difficult to source. There's a chance we could see a rash of cannabis bankruptcies before the year is done.

How will Cronos stock fare? Will shares [zoom](#) higher to \$30, or might equity holders lose everything?

Bet on volatility

Here's one thing to bet on: volatility. Despite years of advancements, the cannabis market is still in its early innings.

The tobacco and oil industries provide great insight into this evolution. At the start of both bonanzas, hundreds of operators flooded the market. Over time, however, both industries consolidated heavily. Today, we have several oil and tobacco companies worth more than \$100 billion.

Tobacco and oil are commodities. So is cannabis. Pricing will rise and fall as supply and demand fluctuates. Profitability could double or triple in a single year, only to collapse the next. These shifts

have contributed heavily to Cronos' dramatic peaks and valleys.

While the pot market will remain volatile, that doesn't mean every company will be impacted equally. In fact, there's reason to believe the Cronos is building a business that can sidestep much of this turmoil.

As with tobacco, the key lies in the branding. There's a reason why companies like **Altria Group Inc** ([NYSE:MO](#)) can sell commodified goods for a big mark-up. If consumers love your brand, they'll pay up.

Own Cronos stock

There's a ton of reason to believe that Cronos will emulate Altria's success. How do I know? Altria already showed their cards, investing \$1.8 billion into the pot producer.

The company now owns 45% of Cronos, with warrants that eventually allow it to take full control. This is an exclusive partnership. If Altria wants to profit from pot, it will be through its Cronos investment.

The entirety of CRON stock is now valued at just \$3.5 billion. That's incredible given that the business still has \$1.8 billion in cash on the books. The underlying marijuana business is worth less than the company's cash balance!

With so much liquidity and a long-term, deep-pocketed partner, Cronos stock isn't going to zero anytime soon. In fact, this stock will likely lead the industry when conditions turn around. Altria is a proven branding machine. Its Marlboro brand, for example, helps it achieve a 50% market share in the U.S. for cigarettes.

How much would Cronos be worth if it commanded a 50% market share for cannabis? **Cowen Inc** projects the North American market to approach \$100 billion in sales by 2030.

Even at a one-times-sales valuation, Cronos stock would hit \$140. That's *14 times* upside!

If you want to bet on pot, this is your best chance yet.

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