



## Big Tobacco Is Betting \$2 Billion on This Pot Stock

### Description

**Altria Group** ([NYSE:MO](#)) is one of the largest tobacco producers in the world. Its size is truly remarkable.

Last quarter, despite the onset of the COVID-19 pandemic, the company generated more than \$5 billion in sales. It also produced a quarterly profit of nearly \$2 billion, up 38% year over year. Those profits help service an 8.6% dividend.

If you had [invested](#) \$10,000 in this stock when it first went public, you'd have more than \$1 million today. And that's not including any dividends.

But Altria isn't done yet. It wants to recreate the success it's had in tobacco with other markets, namely cannabis. That's why it invested roughly \$2 billion for a 45% stake in a leading pot stock. It's an exclusive partnership. If Altria capitalizes on cannabis, it'll be through this stock.

There's good reason to believe this will be a long-term winner. Yet due to the coronavirus correction, most pot stocks trade at ridiculously low [valuations](#). This company is no different.

If you want to profit from pot by betting alongside one of the most successful tobacco companies in history, this is your chance.

### A rare opportunity

**Cronos Group Inc** ([TSX:CRON](#))([NASDAQ:CRON](#)) is a giant in the cannabis world with a \$2.9 billion market cap. But that's a little misleading given that it has around \$1.8 billion in cash. That means the true valuation of the business, when stripping out the cash on the balance sheet, is only around \$1.1 billion. That's crazy.

Consider Altria's size. It's currently worth nearly \$100 billion. And that's *after* a steep drop due to the coronavirus correction.

If Cronos can even achieve that size, there will be 100 times upside. There's actually precedence to this. Since 1980, Altria stock has risen almost exactly 100 times in value.

Altria clearly hopes to replicate its success in tobacco with cannabis. Will it succeed? At this valuation, it's certainly worth betting on. That's because there's a lot in common between these two companies. More than the market appreciates.

## Trust big tobacco

If you want to bet on pot stocks, bet on the Altria-Cronos partnership. The choice is clear.

The most important thing for any pot stock to do is avoid commoditization. Tobacco, at the end of the day, is a pure commodity. Yet Altria gets customers to pay a hefty mark-up for its products. That's because it's an expert at branding. Its brand portfolio, which includes icons like Marlboro, commands 50% of the U.S. cigarette market.

Thus far, few cannabis companies have cracked the code of branding. Can you name a single marijuana brand? I didn't think so. But I'm sure you can think of a tobacco brand or two, even if you don't smoke.

Pot stocks that can't avoid commoditization will lose. It's like betting on a company that sells tomatoes or carrots. The market doesn't value **Coca-Cola Co** at \$200 billion because it sells water and sugar. The company has a gargantuan market cap because it sells a global *brand*.

Altria has a proven track record of branding regulated products like tobacco. With billions in the bank and direct assistance from Altria, I'm betting Cronos will crack the code for cannabis.

### CATEGORY

1. Cannabis Stocks
2. Investing

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1. Cannabis

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2. NYSE:MO (Altria Group, Inc.)
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