

Why Cronos Group Inc. (TSX:CRON) Is My Top Pot Stock for 2019 and Beyond

Description

Among the Canadian cannabis companies whose shares trade on the TSX, **Cronos Group Inc.** ([TSX:CRON](#))([NASDAQ:CRON](#)) is the fourth largest by market cap. The top three companies, **Canopy Growth Corporation** ([TSX:WEED](#)) (NYSE:CGC), **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB), and **Aphria Inc.** (TSX:APHA)(NYSE:APHA) garner most of the media attention. As a result, many investors naturally gravitate toward them as the primary investment options in the marijuana industry.

Hype is rarely the best metric to use when making investment decisions, however, and despite earning fewer mentions than the “big three,” I believe Cronos is currently the best pot stock on the TSX. Here is why.

International footprints

The legal marijuana sector is still in its infancy. The potential for growth available for the biggest players in this industry can hardly be overstated. The recent legalization of the recreational use of marijuana in Canada is an experiment of sorts. The effects of the new regulation on marijuana companies are already being analyzed and over-analyzed.

Canada is not the only place where marijuana companies are poised to reap substantial benefits, however. Having footprints elsewhere can provide more avenues for growth, and at this little game, Cronos has some good arguments. Sure, Cronos makes the bulk of its revenues from its Canadian operations, but the company's reach extends to other geographical regions.

Cronos has a five-year distribution agreement with **G.Pohl-Boskamp**, which allows the company to distribute its products to more than 12,000 pharmacies in Germany — one of Europe's largest cannabis market. Last year, Cronos announced a strategic joint venture in Australia for the research, production, manufacture, and distribution of medical cannabis. The company was granted a medical cannabis manufacture license in the country.

These international ventures — which are likely not the last for Cronos — will allow the Ontario-based medical cannabis company to tap into a growing worldwide market.

Strategic partnership with Altria

Late last year, tobacco giant **Altria** [acquired a 45% stake](#) in Cronos for around \$1.8 billion. The news — first announced on December 7 — helped Cronos' stock climb by as much as 38% in premarket trading on that day; investors were understandably enthusiastic.

Altria is a juggernaut with substantial business expertise, be it in North America or abroad. Teaming up with this U.S.-based tobacco company will help Cronos in many ways. For example, Cronos will have access to Altria's financial resources to help its growth and development.

Supply agreements

Although the recreational use of marijuana was legalized less than a year ago, the race to the top among pot companies has been heating up for much longer. What better way to get a leg up on the competition than to have supply agreements that guarantee a stable and predictable stream of revenues.

Last year, Cronos signed supply agreements with the Ontario Cannabis retail corporation and the BC Liquor Distribution Branch. These provinces make up more than half of the Canadian population. Cronos also secured a supply deal with **Cura Cannabis Solution**, a Portland-based marijuana oil company. Cronos reached a deal to provide Cura with 20,000 kilograms per year of cannabis for five years.

These supply agreements promise to bolster the company's top line.

The bottom line

Cronos' latest quarter showed substantial increases in revenue and kilograms of cannabis sold year over year of 186% and 213%, respectively. While this much growth is expected given current market conditions, Cronos has shown several times over while it should be considered one of the top pot stocks on the TSX.

With solid international footprints, its strategic partner with a global tobacco leader, and supply agreements that will increase the company's top line, Cronos presents serious upside for investors.

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