

# Cronos Group Inc

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## Altria makes C\$2.4B investment in Canadian cannabis company Cronos Group

Tobacco behemoth Altria Group Inc (NYSE:MO) has agreed to make a C\$2.4 billion (US\$1.8 billion) equity investment in the Canadian cannabis company Cronos Group Inc (NASDAQ:CRON) in a bid to widen its business beyond tobacco.

Under the deal involving the issue of Cronos shares to Altria, the tobacco company will control about a 45% ownership stake in the company, and the stake will jump to 55% if additional warrants are exercised.

**READ:** Altria in investment talks with Canadian cannabis company Cronos  
As part of the agreement, Altria will receive warrants in Cronos that if fully exercised would provide the company with an additional C\$1.4 billion of proceeds.

The deal is set to close in the first half of 2019 and after the tie-up, Cronos will serve as Altria's sole partner in pursuing opportunities in the cannabis sector.

While the tobacco sector is coming under pressure due to diminished demand for cigarettes, interest in cannabis is on the rise, which is the reason behind Altria's move to snap up a stake in Cronos.

"[We] look forward to helping Cronos Group realize its significant growth potential," said Howard Willard, Altria's CEO in a statement.

In response to the announcement, Cronos shares soared 23.4% to hit \$12.90 before the opening bell on Friday while Altria shares nudged up by 1% to \$54.90.

For Cronos, the strategic partnership provides the cannabis company with additional financial resources and deep regulatory expertise that will allow it to compete in the fledgling marijuana sector and scale its business.

"Altria is the ideal partner for Cronos Group, providing the resources and expertise we need to meaningfully accelerate our strategic growth," said Cronos CEO Mike Gorenstein in a statement.

"Altria has decades of experience in regulatory, government affairs, compliance, product development and brand management that we expect to leverage, particularly as new markets for cannabis open around the world," he added.

**READ:** Tobacco powerhouse Altria in talks to acquire equity stake in Canadian cannabis grower Aphria, says The Globe and Mail

The legalization of marijuana by Canada this year is prompting renewed interest in investment in the country's cannabis companies. And news of the tie-up between Altria and Cronos come on the heels of the US alcohol beverage group Constellation Brands, completing a C\$5 billion (US\$4bn) investment in the Canadian cannabis company Canopy Growth.

**Price:** US\$15.38

**Market Cap:** US\$5138.27M

### 1 Year Share Price Graph



May 2018 November 2018 May 2019

### Share Information

**Code:** CRON

**Listing:** NASDAQ

**52 week High Low**  
**\$25.10 \$5.61**

**Sector:** Pharmaceuticals

**Website:** thecronosgroup.com

### Company Synopsis:

*A geographically diversified and vertically integrated cannabis group that operates within Health Canada's Access to Cannabis for Medical Purposes Regulations and distributes globally.*

### Author:

**Proactive Investors Ltd**

**+44 (0)207 989 0813**

**action@proactiveinvestors.com**

A deal between Altria and Cronos represents one of the first combinations of an old-school tobacco company, which is looking to offset a decline in smoking rates, and an upstart cannabis company.

Altria is also reported to be weighing an investment in the e-cigarette maker Juul in another bid to widen its repertoire of smoking products beyond cigarettes. And earlier this year, reports surfaced that Altria had contemplated taking a stake in Aphria, another Canadian cannabis producer.

Contact Ellen Kelleher at [ellen@proactiveinvestors.com](mailto:ellen@proactiveinvestors.com)

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