This Marijuana Stock Could Be the "Baby" Canopy Growth Corp. (TSX:WEED)

Description

Canopy Growth (TSX:WEED)(NYSE:CGC) stock is the undisputed king of the cannabis scene with its promising portfolio of recreational brands, its knack for deal-making and its promising long-term international growth strategy. Canopy has been my preferred choice in the space for quite some time now, but if you're like me, you cringe at the valuation and the +100% spike experienced in just under one month's time.

While I'm sure you don't want to miss out on an opportunity for quick gains, you definitely don't want to be the one left holding the bag as traders (including those from the crypto crowd) begin ditching their shares.

Canopy will likely remain the leader in the marijuana market, and I think it's likely that the stock will hit $100 by year-end, but from these levels, that's not nearly as much upside as you'd get with the smaller up-and-coming pot stock like **Hexo** (TSX:HEXO).

The Canadian cannabis scene is getting crowded — perhaps too crowded — and investors are going to need to do even more homework so they can separate the sub-par players in the space from the ones that could become real winners for years after legalization day.

While you could chase the highest cannabis players like Tilray or Canopy, two dual-traded pot stocks that have more than doubled over the last month, I believe that doing so will leave you with a nasty hangover after the hype and FOMO (fear of missing out) mentality begin to subside.

So, what's so great about Hexo?

The stock has soared 413% over the past year, and while you think it's a stock that's gotten "too high" and is thus comparable with Tilray or Canopy, I'd argue that there remains substantially more upside for the $1.5 billion Quebec-based cannabis firm.

Not only is Hexo a preferred choice in the books of many Québecois (they love their local companies and brands!), but like Canopy, the company already has an alcohol firm relationship in the bag.

The only difference is that Hexo isn't as well known and isn't available to buy for U.S. (or international) investors unless they're willing to make the jump to the **S&P/TSX Composite Index.** Moreover, Hexo recently underwent a name change from Hydropothecary, which should be easier for prospective investors to talk about (and remember).

Hexo: the baby Canopy?

If you've taken a look at Hexo's [signature line of products](), you'll immediately recognize the Canopy-like efforts that have gone into the branding and product differentiation. While Canopy may be praised for its branding prowess, I'd argue that Hexo is a close second when it comes to product lines that may become a cut above the competition.

In addition, Hexo has supply agreements on the books with Quebec's alcohol distributor. Over the next few years, we'll likely see more than 200 tons of dried marijuana being distributed across the vast province of Quebec.

"While there's certainly no wall surrounding the Quebec border, it certainly will seem like it for producers looking to break into the Quebec market to take away [Hexo's] dominant share," I said back in the summer.

Foolish takeaway

Hexo, like its bigger brothers, has been on a tear of late, but I think the general public is discounting the firm's abilities relative to the pot stocks that are constantly featured on CNBC.

Don't skate where the puck *is:* skate to where it's *going* to be.

Canopy and Tilray are where the puck's at now, and Hexo may be where the puck's going to land. If you go toward the puck, odds are you'll get take a massive body check into the boards, but if you go where you think the puck's going next, you'll have the opportunity to fire it top-shelf while others watch with amazement.

Stay hungry. Stay Foolish.

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