



## Better Buy: Hexo Corp (TSX:HEXO) vs. CannTrust Holdings (TSX:TRST)

### Description

Cannabis stocks are on fire. Since mid-August, the sector can do no wrong. Despite this, there are still several major players in the red year to date (YTD). As of writing, there are only three big players in positive territory for the year; two of which are the subject of today's smackdown — **HEXO Corp** ([TSX:HEXO](#)) and **CannTrust Holdings** (TSX:TRST).

Last week, [David took out Goliath](#). This week, it's a middle-weight battle. HEXO is the fifth-largest publicly traded cannabis stock, while CannTrust is hot on its heels as the sixth largest.

### Performance

As mentioned previously, both companies are in positive territory for the year. YTD, CannTrust has posted a respectable 10% gain and its share price has risen 135% over the past year.

You might be surprised, but the top-performing marijuana stock this year is HEXO Corp. It has returned a sizable 105% to shareholders in 2018, topping industry heavyweight **Canopy Growth's** 69% gain. Its one-year performance of 340% is second only to [Canopy's meteoric 415% rise](#).

*Edge: It's a no contest. HEXO's performance is top notch.*

### Strategic partnerships

The sale of recreational marijuana in Canada is now less than a month away. Who stands to benefit most?

CannTrust has struck a deal with the Ontario Cannabis Retail Corporation (OCRC) and three western provinces — Alberta, British Columbia, and Manitoba. Combined, the western agreements represent more than 17,000 kgs annually.

For its part, HEXO has also signed a supply agreement with OCRC. Although it has yet to venture out west, the company has the largest single provincial deal in Canada. The company has a supply agreement with Quebec for the supply of 20,000 kgs in the first year and a total of 200,000 kgs over

the next five years.

Both companies have entered the beverage space. HEXO has entered a joint-venture with **Molson Coors** for the development and sale of cannabis-infused alcoholic beverages. Whereas HEXO has partnered with one of Canada's largest beer companies, CannTrust has partnered with Canada's largest alcohol broker of premium spirits, wine, and beer brands. These deals are not directly comparable. While HEXO's can be considered a product deal, CannTrust's is more of a distribution partnership.

Also worth noting, CannTrust has entered the pet space. In partnership with Grey Wolf Animal Health, it will develop groundbreaking cannabis products to support the well-being of pets.

*Edge: Hexo's landmark supply deal in Quebec and partnership with Molson Coors gives it a narrow victory.*

## Valuation

Cannabis stocks valuations have gone through the roof. With that in mind, which provides the better value today? CannTrust is one of the few pot stocks that is currently profitable. As of writing, the company is trading at 30 times next year's expected earnings. Given the company is expected to see triple-digit growth, this is good value. Likewise, it is trading at 8.5 times expected 2019 sales. This is by far one of the lowest valuations in the industry.

On the flip side, HEXO is not yet profitable and is trading at 172 times 2019 earnings and 16.2 times expected sales.

*Edge: CannTrust is one of the best-valued companies in the sector.*

## Winner: HEXO Corp

This was a tough call. If you are a value investor, you might lean towards CannTrust as the clear winner. However, the sector doesn't trade on value. It trades on momentum and future potential. At the moment, HEXO has plenty of momentum and greater potential. As such, it edges out the competition.

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