

## Should HEXO Corp. (TSX:HEXO) or Aurora Cannabis Inc. (TSX:ACB) Be in Your Weed Stock Portfolio?

### Description

The rise of Canadian [cannabis stocks](#) over the past three years is nothing short of stunning, and investors who missed the rally to this point are wondering which companies might be attractive for long-term potential gains.

Let's take a look at **HEXO** ([TSX:HEXO](#)) and **Aurora Cannabis** ([TSX:ACB](#)) to see if one might be an interesting pick right now.

### HEXO

Formerly known as Hydropothecary, this Quebec-based medical marijuana producer is positioning itself to be a major player in the Canadian market once recreational sales become legal in October.

The company just announced a three-year distribution agreement that will see HEXO partner with Metro Supply Chain to manage a Montreal-based warehouse and distribution centre to handle Quebec adult-use online orders.

Earlier this month, HEXO announced the purchase a 25% interest in a two-million-square-foot facility in Belleville, Ontario. The site will be used as part of HEXO's hub-and-spoke distribution model and will give the company the space it needs to manufacture advanced cannabis consumer products that are expected to be a large part of the overall market. HEXO is developing cosmetics, edibles, and non-alcoholic beverages as part of its broader cannabis strategy.

On the beverage front, HEXO has partnered with **Molson Coors Canada** to set up a new joint-venture company that will target the cannabis-infused beverage market. The move is viewed as strategically important, after **Canopy Growth** partnered with Corona-maker **Constellation Brands**.

### Aurora Cannabis

Aurora Cannabis went on a buying spree this year, acquiring two major competitors in a bid to become Canada's top medical marijuana company. The \$1.1 billion purchase of CanniMed in January and the \$2.5 billion takeover of MedReleaf made Aurora Cannabis a powerful force in the industry with 570,000 kg per year of funded production capacity.

Aurora Cannabis is also targeting the global market and already has sales and operations serving 14 countries.

The stock had been under pressure for most of 2018 until Constellation Brands announced its \$5billion second-phase investment in [Canopy Growth](#) in August. The news put a tailwind behind Aurora Cannabis, as investors speculated it would be next to announce a partnership with a major beverage company.

Rumours then emerged that Aurora Cannabis was in talks with **Coca-Cola**. This provided an extra boost to the stock, but no deal has been announced.

### Is one a better bet?

HEXO has a market capitalization of \$1.6 billion compared to more than \$12 billion for Aurora Cannabis. As the industry evolves, further consolidation should be expected, so I wouldn't be surprised to see HEXO become a takeover target. If you want to focus on Canada and are looking for a potential shot at a takeover premium, HEXO might be the way to go.

Otherwise, Aurora Cannabis has the scale and the international reach to be a long-term global player, and any announcement on a partnership with a beverage giant could send the shares even higher.

Overall, both stocks are quite expensive after the rallies that occurred in the past month, so investors should anticipate some volatility and keep positions small relative to their total portfolio.

Additional disruptor opportunities are worth considering in the market today.

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