



Is HEXO Corp. (TSX:HEXO) or Canopy Growth Corp. (TSX:WEED) Stock Attractive Right Now?

Description

The opening of the Canadian recreational cannabis market is just around the corner, and investors are wondering which [marijuana stock](#) is best positioned to deliver big gains in the coming years.

Let's take a look at **HEXO** ([TSX:HEXO](#)) and **Canopy Growth** ([TSX:WEED](#)) (NYSE:CGC) to see if one might be a better buy for your [portfolio](#).

HEXO

Quebec-based HEXO just added an international element to its strategy through the planned establishment of a manufacturing facility in Greece.

A deal with Greek company Qannabos includes the development of a 350,000-square-foot facility that will be used for manufacturing, processing, and distributing medical cannabis products for the European market.

Estimates put the potential adult-used cannabis market in Europe above \$100 billion by 2028, so the move by HEXO to get into the region now is probably a wise one.

In Canada, HEXO continues to position itself to be a major player in the medical and recreational market. The company has more than 300,000 square feet of production capacity and an additional 1.0 million square feet expected to be ready by the end of 2018.

HEXO recently acquired a 25% interest in a two million square foot facility in Belleville to serve as a research and development hub for its advanced cannabis products, including cosmetics, edibles, and non-alcoholic beverages.

In August, HEXO announced an agreement with **Molson Coors Canada** that will see the two companies form a joint venture to develop cannabis-infused beverages. The deal gives HEXO an established international partner in the beverage industry and positions it well to capture a piece of the anticipated cannabis-infused drinks market in Canada.

HEXO currently trades at \$9 per share at writing, giving the company a market capitalization of more than \$1.7 billion.

Canopy Growth

Canopy Growth has a head start on HEXO in Europe. The company owns a pharmaceutical distribution company in Germany with operations or partnerships in a number of other European countries.

In addition, Canopy Growth is ramping up its presence in South America. The company's facilities in Chile will serve as the research and development hub for its medical marijuana products, while the operations in Colombia will look after the production and distribution of cannabis for the Latin American market.

Canopy Growth was the first marijuana company to partner with a leading beverage company when it sold a 9.9% stake to **Constellation Brands** last fall for \$245 million. The maker of Corona increased its bet in August, when it announced a \$5 billion additional investment to bump its ownership position to 38%.

Canopy Growth is also positioning itself for the cannabis lifestyle branded goods market through its recent acquisition of Hiku Brands.

At the time of writing, Canopy Growth trades for \$65 per share and has a market capitalization of about \$15 billion.

Should you buy HEXO or Canopy Growth?

HEXO and Canopy Growth are very expensive based on current revenue streams, so you have to be of the mind that the Canadian and global cannabis markets will unfold as predicted.

If you fall in that camp, the decision depends on whether you want to go with the industry leader or bet on the underdog. Canopy Growth is the most established player and the first-mover advantage shouldn't be overlooked.

That said, HEXO's smaller size and growing partnerships could make it an attractive takeover target in the near term. Whether a big premium to the current price might be in the cards is anyone's guess, but consolidation will likely continue and the company's strong position in Quebec should make it attractive.

Regarding Canopy Growth, Constellation Brands could decide to simply take a majority position, which would provide important financial backing as Canopy Growth expands its global operations.

If you missed the cannabis rally, other disruptor stocks are emerging that could deliver impressive gains.

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2. TSX:HEXO (HEXO Corp.)
3. TSX:WEED (Canopy Growth)

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aswalker

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