



Is Canopy Growth Corp. (TSX:WEED) or HEXO Corp. (TSX:HEXO) the Best Marijuana Stock for a Bet on Cannabis-Infused Beverages?

Description

The launch of the Canadian recreational marijuana market is nearly upon us. Investors who have watched the emergence of the industry over the past three years are wondering which [cannabis stocks](#) might be best positioned to capitalize on the opportunities that extend beyond smokers.

One area that has captured significant attention is the cannabis-infused beverage market, and two companies appear to have the lead on their [competitors](#) in the race to offer products for this segment. Canada is expected to allow the sale of cannabis edibles sometime in 2019.

Let's take a look **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **HEXO** ([TSX:HEXO](#)) to see if one deserves to be your top marijuana stock today.

Canopy Growth

Canopy Growth became the early favourite in the cannabis drinks market when it sold 9.9% of the company to U.S.-based **Constellation Brands** ([NYSE:STZ](#)) last year for \$245 million. Constellation Brands is an international wine, spirits, and beer company with many popular names under its umbrella, including Corona.

In August, Constellation Brands decided make a huge bet on the emerging sector and raised its ownership of Canopy Growth to 38% through an additional investment of \$5 billion. The news put a new tailwind behind Canopy Growth's stock price, which had been under some pressure. Canopy Growth's closing price before the announcement was about \$32 per share. The stock rallied as high as \$74 in the following weeks and now trades for more than \$60.

Constellation Brands has an option to increase its holdings in Canopy Growth, and some pundits think the beverage giant will eventually take a majority position in Canada's leading marijuana stock. At the time of writing, Canopy Growth has a market capitalization of \$14 billion. Constellation Brands has a market cap of US\$42 billion.

HEXO

HEXO, which recently changed its name from Hydropothecary, is a Quebec-based cannabis company that is expanding its reach across Canada and into international markets. Targeting the smoke-free segments in Canada is a key strategic focus for the company.

At the beginning of August, HEXO announced it had reached an agreement with **Molson Coors Canada** to create a new joint-venture company that will develop non-alcoholic cannabis-infused beverages. Under the arrangement, Molson Coors Canada will own 57.5% of the company and HEXO will own 42.5%.

The Molson family is from Quebec, so the deal isn't a surprise. As one of Canada's largest beverage companies, Molson Coors Canada is strategically positioned to take advantage of the market opportunity.

From a branding perspective, specifically in Canada, the move makes sense for HEXO.

Is one a better bet?

Canopy Growth certainly has a head start on HEXO in the race to develop cannabis-infused beverages, and the direct investment by Constellation Brands in the company should make the commitment stronger. If you are looking at the big-picture international opportunity for cannabis-infused drinks, I would go with Canopy Growth as the first pick.

That said, HEXO made a wise move in partnering with the Molson family to pursue the opportunities in Canada and they should do well once the market opens. HEXO's smaller size means it could offer more upside torque for investors, and I wouldn't be surprised to see it become a takeover target.

CATEGORY

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2. NYSE:STZ (Constellation Brands Inc.)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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Author

aswalker

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