



## Should HEXO Corp (TSX:HEXO) or Aurora Cannabis Inc (TSX:ACB) Be Your Top Recreational Pot Stock Pick?

### Description

The opening of the recreational marijuana market in Canada has investors wondering which [cannabis stocks](#) might be the best buys to capitalize on the potential windfall.

Let's take a look at **HEXO** ([TSX:HEXO](#)) and **Aurora Cannabis** ([TSX:ACB](#)) to see if one is an interesting stock pick for your portfolio today.

### HEXO

Formerly known as Hydropothecary, HEXO is an emerging player in the Canadian and global [cannabis sector](#). The Quebec-based marijuana producer has established itself as the leader in the province, with current production facilities covering more than 300,000 square feet and an additional one million square feet scheduled for completion in the next few months.

Management partnered with a major operator of pharmacies in Quebec to win a three-year contract from the province's cannabis regulator to operate the government's distribution site in Montreal for all adult-use orders that come through the provincial website. The locations will process and ship orders for marijuana supplied by HEXO and other licensed producers.

In Ontario, HEXO has a 25% stake in a two-million-square-foot site that will be used as a research, development, production, and distribution facility for the company's cannabis products targeted at non-smokers, including cosmetics, cannabis-infused beverages, and edibles.

HEXO has partnered with **Molson Coors Canada** to create an independent company called Truss to develop and market non-alcoholic cannabis-infused drinks for Canada.

Overall, HEXO is on track to capture a good chunk of the recreational cannabis market for smokers and is positioning itself to take advantage of the potential demand for edibles and other products made from the marijuana plant.

The stock currently trades for \$8.50 per share, giving the company a market capitalization of about

\$1.7 billion.

## Aurora Cannabis

Aurora Cannabis is the second-largest player in the Canadian medical marijuana market. That wasn't always the case but a series of bold acquisitions this year took out two major competitors and bulked up the company's product line and production capacity to compete with industry leader **Canopy Growth**.

Aurora Cannabis will soon trade on the NYSE, giving the company exposure to a much broader base of investors amid an insatiable appetite for marijuana stocks.

Aurora Cannabis has nearly one million square feet of production space in Canada, either in use or under development, including the 800,000-square-foot site in Edmonton that is close to the airport.

On the drinks side of the business, Aurora Cannabis saw its stock get a nice boost last month after a report emerged that the company might be in discussions with **Coca Cola**.

No agreement has been announced, but the market is anticipating Aurora Cannabis will partner with a leading global beverage company at some point to compete with HEXO and Canopy Growth, which already have drinks deals in place.

Aurora Cannabis trades at \$13.70 per share, which is the highest the stock has been since January. With a market capitalization of \$13 billion, Aurora Cannabis has the capability to make additional acquisitions as the market continues to consolidate.

## Is one a better bet?

HEXO is much smaller than Aurora Cannabis, but it might have a head start on its larger peer with respect to positioning itself to tap the various emerging opportunities in the Canadian recreational cannabis market. As a result, I wouldn't be surprised to see Aurora Cannabis attempt to acquire HEXO. If that happens, investors who buy HEXO today could see a nice takeover premium.

Both stocks are expensive, so investors should be careful with respect to the amount of money they allocate to the marijuana sector. However, if you are positive on the long-term outlook for the cannabis market, I would probably make HEXO the first choice of the two stocks today.

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