



## Which Pot Stock Is the Best Buy Today?

### Description

The opening of the legal recreational cannabis market in Canada has finally arrived, and investors are wondering which [marijuana stock](#) might be the best bet to capitalize on the opportunities in the emerging pot sector.

Let's take a look at three of Canada's top [cannabis companies](#) to see if one is more attractive right now.

#### **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC)

Canopy Growth made strategic acquisitions well ahead of the decision by the Canadian government to legalize recreational cannabis sales in the country. Those bets have paid off, as Canopy has emerged as the leader in the sector.

Branding is important in a crowded market, and Canopy Growth's founder and co-CEO, Bruce Linton has done a good job of positioning his firm as being a serious and mature business with a "cool" factor that should resonate well with the target audience as well as investors.

That likely helped beer giant **Constellation Brands** make the decision to take an early interest in Canopy Growth. The company spent \$245 million to acquire a 9.9% stake last year and then upped the bet by \$5 billion this summer to take a 38% position in the company.

Once the sale of edibles gets the green light from the Canadian government, Canopy should be in a strong position to capture a significant part of the anticipated market for non-alcoholic cannabis-infused drinks.

Canopy Growth has the size to make additional strategic acquisitions, as we saw with the recent purchase of Ebbu, a U.S.-based hemp research firm. At the time of writing, Canopy Growth has a market capitalization of more than \$14 billion.

#### **Aurora Cannabis** ([TSX:ACB](#))

Aurora Cannabis made two major acquisitions in 2018 that immediately created a serious challenger to

Canopy Growth. The takeovers of CanniMed and MedReleaf expanded the number of brands and production capacity, giving Aurora Cannabis a large presence in the medical marijuana space while positioning it to compete in the recreational market.

To date, the company has not announced a partnership with a major beverage company, although rumours emerged a few weeks ago that Aurora Cannabis was in discussions with **The Coca-Cola Co.** On the surface, that might be a bit of a surprise, but the American beverage giant recently acquired Costa Coffee, the UK's largest coffee chain, so management is expanding the company's interests. Some pundits see coffee outlets as ideal places to sell cannabis-based drinks that target the wellness side of the market.

Aurora Cannabis has a market capitalization of about \$12 billion.

## **HEXO** ([TSX:HEXO](#))

HEXO is the underdog of the group. The Quebec-based company is much smaller than Canopy Growth and Aurora Cannabis, but it is making the right moves to position itself to succeed in the market. The company is arguably the leader in Quebec and is expanding its presence in Ontario. HEXO's focus on cannabis-based products in the areas of cosmetics, edibles, as well as the smoker market should enable the company to take advantage of a number of opportunities.

In addition, HEXO has partnered with **Molson Coors Canada** to develop and market cannabis-infused beverages.

HEXO has a market capitalization of \$1.5 billion, making it a potential takeover target for one of the larger players. The strong presence in Quebec and the Molson partnership should attract suitors as the industry continues to consolidate.

## **Is one a better bet?**

All three stocks are expensive after the big rallies in the past two months, so investors should keep their exposure small. We could see a meaningful pullback now that the recreational market has actually launched.

That said, if you like the long-term opportunities and want to own the market leader, Canopy Growth is probably the way to go today. For investors who want to own an emerging player, HEXO might be an attractive pick as a potential takeover target.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NASDAQ:CGC (Canopy Growth)
2. TSX:ACB (Aurora Cannabis)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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