



Find the Best Pot Stock for Your Portfolio

Description

Legalization was a politically charged event. With the whole world watching, Canada went through a very public change and, for the most part, came out unscathed. And while there are still some policy and regulatory details to iron out, the market has embraced and, in some ways, profited from the emergence of the new sector.

Two of the largest players in the cannabis market are **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **Hexo** ([TSX:HEXO](#)). Now that the smoke has cleared from the legal standpoint, which of these two represent the better option for investors?

Let's take a look at a case for both and try to answer that.

The case for Canopy

Canopy is the company that most people associate with legalization. Canopy was the first cannabis company to hit the market and used that advantage to acquire a number of key competitors and distributors in the market, while concurrently investing in upgrading its facilities to meet the expected demand for its growing line of products.

Canopy also attracted the attention of a major brewery, with U.S.-based **Constellation Brands**, making two investments in Canopy over the past year, acquiring nearly 10% of the company in the process. The two companies have stated their intent to develop cannabis-infused beverages in the future, but that initiative could be several years out, even without considering the complicated legalities of the U.S. market.

Beyond those opportunities, a series of agreements with the provinces as well as the expected strong growth from the Canadian market will continue to feed growth.

The case for Hexo

Hexo has taken the legalization movement to [focus on the domestic market](#).

From a production standpoint, Hexo's 250,000-square-foot flagship facility, which the company broke ground on just last year, has already been dethroned with a one-million-square-foot facility currently under construction. With experts pegging that the Canadian market will account for over a third of all supply, the new facilities cannot be built fast enough.

Hexo has also forged agreements with businesses and provinces, such as the B.C. Liquor Distribution Branch to sell a line of cannabis oil sprays and the multi-year agreement with Quebec for 200,000 kilograms over the course of five years. Hexo, like Canopy, has also forged an agreement with a beverage company for the development of non-alcoholic cannabis-infused beverages, but that too could be several years out from coming to market.

Which is the better investment?

While the market that both these two companies operate in has been legal for recreational uses in Canada for under a week, there is a growing medicinal market for the products the companies grow and that has been in operation for years, and that market is not going away anytime soon. To act on the emotional potential for the former while dismissing the history of the latter would be folly, which is why I would move cautiously towards Canopy as the better investment at this juncture.

Hexo has a number of positive developments in the works that could, in theory, surpass Canopy in the future, but many of these initiatives will require legislative changes and vendors, and years of product development to bring to the market. What Hexo has done is incredible, but it's still hyperfocused on the Canadian market, which hasn't matured to legalization fully for that home advantage to be a boom for business.

Canopy, however, has existing distribution agreements or partnerships in place to boast a presence on five continents which will cater to an existing and growing clientele, as well as the advantage that comes from being the first and largest cannabis stock on the market.

While the stock itself might seem overpriced at the moment, Canopy is the better [long-term option](#).

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
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