



Should HEXO Corp. (TSX:HEXO) Stock Be in Your Portfolio Today?

Description

The pullback in marijuana stock prices over the past few weeks has investors wondering if this is the best time to add [cannabis stocks](#) to their existing holdings or even start new positions.

Let's take a look at **HEXO** ([TSX:HEXO](#)) to see if it deserves to be on your pot stock [buy list](#) right now.

Cheap stock?

HEXO currently trades for \$6.20 per share at writing. That might seem pretty cheap when you compare it to the \$9 some investors paid less in the days leading up to the launch of the recreational marijuana market in Canada last month. If you go back 12 months, however, HEXO traded at \$2.50, so long-term holders of the stock are still faring very well, while the recent buyers are likely screaming at their computer screens.

HEXO's valuation sits at \$1.2 billion, which is sky-high for a company that has annualized revenue of less than \$6 million, based on the most recent quarterly report. In fact, on a relative basis, HEXO is more expansive than **Canopy Growth**, which has annualized revenue of more than \$100 million and sports a market capitalization of about \$12 billion.

Opportunities

HEXO has a number of things going for it that might warrant a premium to its peers. The company is by far the leader in the Quebec market with a contract to supply the SQDC, Quebec's provincial pot company, with 20,000 kilograms of cannabis this year. **Aurora Cannabis** has a supply agreement for 13,000 kilograms, including 8,000 allocated to MedReleaf, which Aurora Cannabis acquired in 2018. Canopy Growth and **Aphria** have supply agreements for 12,000 kilograms.

HEXO continues to beef up its production capabilities. A new 1,000,000 square foot production facility should be ready by the end of this year to complement the existing operations. In addition, HEXO has taken a 25% stake in a two-million square foot facility in Ontario to serve as a hub for the development and distribution of a wide variety of cannabis products ranging from cosmetics to consumables.

HEXO has also recently launched a new company, Truss, in partnership with **Molson Coors Canada**. The new company will develop and market cannabis-infused drinks in Canada when the consumables market gets approval.

Overseas, HEXO is setting up to be a player in the growing medical marijuana market in Europe. The company is building a large production facility with a partner in Greece to supply customers in the region.

Should you buy?

HEXO appears ripe for a takeover, which is probably why investors are willing to pay more for the company than for larger, more established peers such as Canopy Growth. If you are a fan of investing in the underdog and like HEXO's prospects, it might be an interesting pick after the recent pullback.

Other opportunities in the market are also worth considering if you think the marijuana industry is primed for a major expansion.

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