



Is Aphria Inc. (TSX:APHA) or HEXO Corp. (TSX:HEXO) Stock a Buy Right Now?

Description

The recent slide in the share prices of Canadian [marijuana stocks](#) has investors wondering if this is a good time to add some pot stocks to their portfolios.

Let's take a look at **Aphria** (TSX:APHA)(NYSE:APHA) and **HEXO** ([TSX:HEXO](#)) to see if they might be attractive [cannabis stock](#) picks today.

Aphria

Aphria recently listed on the **New York Stock Exchange** (NYSE) joining other large Canadian marijuana stocks such as **Canopy Growth** and **Aurora Cannabis**. **Tilray** and **Cronos** trade on the NASDAQ exchange.

A U.S. listing gives Aphria exposure to a wider investor base, and according to some pundits, the move could help boost the company's valuation over the long term. At the time of writing, Aphria trades for \$13.50 per share on the TSX Index. That's down from the September high above \$21.50, but the drop has been less severe than we have seen in a number of the other cannabis stocks.

Aphria has supply agreements with all of the provinces and one territory, giving it good coverage of the Canadian market for both medical and recreational sales.

To date, Aphria has not announced a partnership with any major beverage company, but the fact that the current president spent a decade at global alcohol giant **Diageo** suggests that Aphria is looking at the infused-beverage opportunities as part of the big picture strategy for the company.

In October, rumours also emerged that Aphria might be in discussions with a large tobacco company, so there are different ways management could decide to go as the cannabis industry evolves.

Aphria already has a distribution partnership in place with Southern Glazer's, which is North America's largest wine and spirits distributor.

Overseas, Aphria has operations or partnerships in Europe, Australia, and South America.

The company has had trouble finding enough staff to harvest its plants, but a shift to automation using robots is expected to rapidly increase planting and cultivation times and reduce production costs. Aphria is already a low-cost producer.

Aphria has a market capitalization of about \$3 billion, which gives it enough firepower to acquire some of the smaller players. At the same time, it could also become a takeover target.

HEXO

HEXO currently trades for \$6.40 per share compared to the October high near \$9, which gives it a market capitalization of about \$1.25 billion.

A leader in Quebec, the company is nearing completion of a one-million square foot facility that will significantly boost its production capacity. HEXO also announced plans to take a 25% stake in a two million square foot building in Ontario, which will be used as a research, development, and distribution hub for a variety of cannabis-based products.

In addition, HEXO and **Molson Coors Canada** recently launched Truss, which will develop and market cannabis-infused drinks for the Canadian market once consumables are approved, which is expected in 2019.

In Europe, HEXO is building a new production facility with a partner in Greece to serve the growing market for medical marijuana in Europe.

Overall, the company appears to have most of the angles covered as it finds its niche in the cannabis industry.

Should you buy?

Aphria and HEXO are both making the right moves to establish themselves as important players in the marijuana sector. Consolidation is expected to continue, and while it's too early to tell if Aphria will get larger or simply be acquired, the general consensus is that HEXO will likely be bought at some point.

A major beverage or tobacco deal could send Aphria soaring. At the same time, HEXO might command a nice takeover premium after the recent dip in the stock. If you like the cannabis sector and are willing to ride out more volatility, it might be a good idea to split a new investment between the two names.

Other opportunities exist to play the emerging marijuana industry.

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