



Is HEXO Corp. (TSX:HEXO) or Canopy Growth Corp. (TSX:WEED) Stock a Buy for 2019?

Description

The launch of the recreational cannabis market in Canada hasn't exactly gone as smoothly as the provinces hoped, and that has resulted in a pullback in the stock prices of Canadian [marijuana companies](#).

With valuations now down significantly from the recent highs, investors are wondering which cannabis stocks might be the best buys today for a [pot stock](#) portfolio.

Let's take a look at **HEXO** ([TSX:HEXO](#)) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) to see if one is attractive right now.

HEXO

HEXO is one of the smaller players among the big names in the marijuana industry. The company's stock price has dropped from the October high near \$9 per share to \$6.20, which gives HEXO a market capitalization of about \$1.22 billion

HEXO is working hard to ensure it gets exposure to all segments of the cannabis industry. The company is the leading player in Quebec with the largest supply contract to the province's adult-use recreational cannabis stores. HEXO, along with a partner, also has the contract to manage the main distribution centre for Quebec's online cannabis sales.

The company currently has production space of more than 300,000 square feet and hopes to complete a new one-million square foot facility by the end of the year. Production and sales should therefore expand significantly in 2019.

Overseas, HEXO is building a 350,000 square foot production facility with a partner in Greece. The site will serve as the hub to supply the growing market for medical marijuana across Europe.

HEXO recently launched Truss, a new joint-venture company formed with **Molson Coors Canada** that will research and develop cannabis-infused beverages for the anticipated opening of the cannabis

consumables market in 2019.

Revenue for the most recent quarter came in at \$1.4 million.

Canopy Growth

Canopy Growth is one of the largest players in the emerging global cannabis industry. The stock price soared from \$32 per share in the middle of August to above \$73 two months later, supported by the \$5 billion investment by **Constellation Brands** to increase its stake in Canopy Growth to 38%.

Anticipation ahead of the launch of the Canadian recreational market also drove demand. In the past month, however, the stock has been volatile, falling back below \$44 before surging to \$60 and then slipping again to the current price near \$46 per share. This gives Canopy Growth a market valuation of just under \$11 billion.

Canopy Growth has an established presence in Europe through its German pharmaceutical distribution company. The company is completing a greenhouse in Denmark and just announced plans to spend US\$115 million on a new site in Italy, Greece, or Spain.

Canopy Growth also has operations in Chile and Colombia to serve the Latin American markets.

On the branding and consumables side, Canopy Growth acquired Hiku Brands to establish its presence in the retail segment for cannabis accessories. In addition, the early partnership with Constellation Brands, a global beer, wine, and spirits company, positions Canopy Growth to be a leader in the cannabis-infused drinks segment.

Revenue in the most recent quarter was \$23.3 million. The number of medical marijuana patients surged 34% compared to the same quarter last year to an industry-leading 84,400.

Is one a better bet?

HEXO's size and positioning in key markets could make it a takeover target, as the industry is expected to consolidate to the point where a handful of major players dominate the market. If you like betting on the upstart, HEXO might be an interesting pick.

Otherwise, Canopy Growth could be the way to go. The company should emerge as one of the global leaders once all the buyouts and mergers settle down.

Despite the pullbacks, both stock still appears very expensive, so investors should probably keep their exposure small as a percentage of their overall portfolios.

If you are of the opinion that the big money has already been made in marijuana stocks, other emerging disruptor sectors are worth watching right now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/08/27

Date Created

2018/11/19

Author

aswalker

default watermark

default watermark