



Hexo Corp (TSX:HEXO) Offers Something Unique No Other Supplier Can

Description

Investors who were quick to act and invested into Canada's [new cannabis sector](#) have been handsomely rewarded over the past year despite a very public and very volatile roller coaster ride. One example from the segment worth mentioning is **Hexo** ([TSX:HEXO](#)), which at one point this past fall was up over 100% for the year, but has since retreated along with the rest of the segment to a still impressive, and market-beating 21% gain.

The highly volatile and new market that legalization represents still has many investors wondering whether investing in cannabis companies such as Hexo is a prudent course of action, at least for the moment. Let's try to answer that question by focusing on what Hexo offers that differentiates itself from its peers rather than the emotional opportunity that the cannabis sector as a whole presents.

Hexo is Canada-first, but not Canada-only

One of the first things to note about Hexo is the focus that Hexo has placed on the Canadian market. Most, if not all of Hexo's larger peers in the market have dedicated a significant amount of capital to establish an international distribution network while opting to ride out the organic growth expected from the local market.

Hexo, on the other hand, took a Canada-first approach, which has earned the company a number of advantages over its peers.

A prime example of this includes Hexo's growing array of products that were recognized last month at the Canadian Cannabis Awards 2018 gala. The awards were granted to the company included both the Cannabis Product of the Year and Innovation of the Year award for Hexo's Elixir spray line.

That Elixir line of sprays is also an example of several expertly-forged agreements between Hexo and different segments of the market. Hexo reached an agreement over the summer with B.C's Liquor Distribution Branch to sell Elixir.

Beyond Elixir, Hexo has also forged a joint venture with Molson-Coors to develop a line of non-alcoholic cannabis-infused beverages for the Canadian market. The venture, known as Truss, is going

to be spearheaded by executives from both companies, and the company has provided a timeline of sometime early next year, whereby it will reveal more on any specific product offerings being worked on.

Finally, also worth mentioning are the agreements in place to supply the provinces. Hexo's five-year preferred supplier deal with Quebec calls for a total supply of 200,000 kilograms to be provided over the course of the contract, with a steadily increasing annual commitment that includes 20,000 kilograms in the first year, 35,000 kilograms in the second and 45,000 kilograms in the third.

Catering to the needs of both the market and its existing agreements requires significant capabilities for both production and supply and this tops out Hexo's Canadian strategy. The company broke ground recently on a one-million square foot facility in Quebec that is nearing completion, which comes a short time after the opening of Hexo's previous flagship facility of 250,000 square feet.

The company also recently acquired a 25% interest in a two million-square-foot site in Ontario set to become a development and distribution centre for some of the company's products.

That emphasis on the domestic market is appealing, but shouldn't distract investors from the potential in foreign markets, which Hexo has also made inroads on. Specifically, the recent decision to build production facilities in Greece sets the company and its partner in that market up to become a major player within the E.U. market.

Should you buy Hexo?

Hexo is making all the right moves into the market. A growing portfolio of products and agreements on the domestic front and a potentially lucrative agreement in a foreign market position the company as an incredible long-term growth pick.

There is a caveat to that, however.

The market is still very much in its infancy, and with that lack of maturity comes the potential for volatility as we saw over the course of the past few weeks. To put it another way, if your intentions are long-term growth and you can [dismiss the daily volatility](#) that will likely persist for some time, Hexo could be a great growth-focused addition to your portfolio.

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