



HEXO Corp. (TSX:HEXO) Stock Jumps 30% to Start 2019: Should You Buy Today?

Description

Cannabis stock prices are moving higher to start 2019, and investors who are sitting on the sidelines with some extra funds to invest are wondering which [pot stock](#) might be the best buy right now.

Let's take a look at **HEXO** ([TSX:HEXO](#)) to see if it deserves to be in your [portfolio](#).

The underdog

HEXO is much smaller than companies that dominate the cannabis stock headlines every day, but the business has quietly positioned itself in a way that might enable it to punch above its weight class.

Based in Quebec, HEXO is the leading marijuana company in the province with the largest supply contract for Quebec's online and brick-and-mortar cannabis retail businesses. In addition, HEXO and a partner have a three-year deal to manage the distribution operations for Quebec's online adult-use pot sales.

Quebec is a big market in Canada with 8.4 million inhabitants, placing it second behind Ontario at 14 million. British Columbia has about 4.8 million and Alberta rounds out the top four at 4.3 million. HEXO also has supply contracts with Ontario and British Columbia.

Drinks opportunity

HEXO has partnered with **Molson Coors Canada** to develop and market cannabis-infused beverages. The industry expects marijuana edibles and beverages to get the green light in 2019. **Canopy Growth** is 38% owned by **Constellation Brands**, and **Tilray** has an agreement with **AB InBev**, so the big players are certainly keen on the drinks opportunities.

Molson is one of Quebec's oldest companies, and its brands are very strong in the Canadian market. As a small player, HEXO scored a big advantage by convincing Molson to be its partner in the new

infused-beverage business, which is named Truss.

Branded goods

HEXO secured a 25% interest in a two-million-square-foot facility in Belleville, Ontario. The site will be used as major development, production, and distribution hub for a variety of cannabis products, including cosmetics, vapes, and edibles.

Capacity

HEXO is on track with the construction of its new one-million-square-foot greenhouse expansion. The site gives HEXO the capacity it needs to meet its goal of hitting 108,000 kg of annual dried cannabis production. In a late-December news release, the company said the facility is licensed and ready for plants.

Should you buy?

The stock has traded in a \$4-9 range in the past 12 months, which is reasonably stable in the world of cannabis stocks. Additional volatility should be expected, but investors with a bullish view on the long-term prospects for the industry might want to consider a small position in HEXO.

At some point, I would expect to see HEXO become a takeover target, given its leadership position in Quebec and the Molson Coors Canada partnership.

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