



Is HEXO Corp. (TSX:HEXO) Stock Attractive Right Now?

Description

Canadian [marijuana stocks](#) have rebounded off the lows they hit in recent months, and that has investors wondering which pot stocks might be the best buys in 2019.

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

Positive developments

HEXO is starting 2019 on a high note. The company recently completed the construction of a one-million-square-foot production site that is licensed and ready to start growing its first plants. The milestone is important, as it greatly increases HEXO's supply capabilities. The company operated with 310,000 square feet of capacity last year.

The roll-out of the recreational market across Canada has had a rough start, with supply shortages and delivery issues largely responsible for the significant stock sell-off in the sector. Looking ahead, producers are gradually building their supply capabilities, and HEXO stands to benefit in its core markets.

The company is the leading supplier to the province of Quebec, which is where HEXO is based. It also has supply agreements with Ontario and British Columbia. In addition, HEXO bought a strategic interest in retailer Fire and Flower, which has licences in Alberta and Saskatchewan.

Overseas, HEXO is building a production facility with a partner in Greece. The site will serve as the base to supply Europe's growing medical marijuana market.

Back in Canada, marijuana consumables are expected to get the green light later this year, and HEXO stands to be one of the early leaders in the beverage segment through a new company called Truss. The business is a partnership with **Molson Coors Canada** created to develop and market cannabis-infused drinks to the Canadian market.

Should you buy?

HEXO trades at \$6.30 per share, giving the company a market capitalization of about \$1.25 billion.

The business has a lot of good things going for it, despite being relatively small when compared to **Tilray** or **Canopy Growth**. As a result, it wouldn't be a surprise to see HEXO get bought in the next year or two, and that could come with a nice takeover premium.

Investors who had the courage to step in at \$4.30 a few weeks ago are already sitting on some nice gains. The stock might still have room to run if the latest upswing in the market proves to be the start of a new rally. HEXO traded as high as \$9 last year, so there might be some decent gains for investors who decide to buy today.

That said, the entire sector still looks expensive and ongoing volatility should be expected, so I wouldn't back up the truck. However, HEXO has no debt and is doing all the right things to position itself for growth. If you are positive on the long-term outlook for the marijuana industry, HEXO might be an interesting pick today.

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