



Hexo Corp (TSX:HEXO) vs. Molson Coors (TSX:TPX.B): Which Company Is the Better Investment?

Description

On August 1 of last year, Gatineau-based **Hexo Corp** ([TSX:HEXO](#)) announced that it had reached an agreement to form a joint venture partnership with one of Quebec's oldest corporations, **Molson Coors Canada Inc.** ([TSX:TPX.B](#))([NYSE:TAP](#)) to pursue the opportunity of developing a non-alcoholic, [cannabis infused beverage product line](#) for the Canadian recreational market.

But if you were one of those who for whatever reason happened to miss that announcement when it hit the newswire last summer, don't trick yourself into thinking that this is still angle you can play in your TFSA account because it's something that has already been fully digested by the market.

Markets are after all, known for processing this type of information in a timely and efficient manner, [well, maybe](#).

But that doesn't mean that these two companies still aren't interesting investment ideas in their own right.

In fact, as stocks have sold off in recent months these happen to be two of the companies that I'm considering very carefully for inclusion in my Tax-Free Savings Account (TFSA).

But a question that I keep asking myself when it comes to these two is which company is the better investment?

Hexo Corp ([TSX:HEXO](#))

We'll start with Hexo Corp first because for most readers it will be the lesser known of the two.

As mentioned, Hexo is a Gatineau-based licensed marijuana producer with a focus specifically on the pursuit of smoke-free cannabis innovation.

Hexo previously went by the name of Hydropothecary until recreational cannabis became legal in Canada, at which time it changed its name to Hexo while maintaining the Hydropothecary brand

specifically for medical-use cannabis patients.

Hexo Corp has about 310,000 square feet of production space at present with another 1,000,000 square feet of production space currently under construction, which should allow for a pretty decently sized runway to allow the company to ramp up its production in coming years as the legal market takes full swing.

With the cannabis market expected to grow by upwards of 20% annually over the next few years, Hexo is a growth stock no question.

Trading at a valuation that includes a price-to-sales ratio upwards of 100 times earnings is a little crazy and is definitely going to scare away some of the more traditional value investors, but personally, I like the brand positioning that management is pursuing. If they're able to execute on that strategy, this could be a solid speculative play worthy of at least a smaller position in your TFSA, where capital gains will be able to accumulate tax-free.

Molson Coors Canada Inc. ([TSX:TPX.B](#))([NYSE:TAP](#))

More readers will of course already be familiar with Molson Coors as one of Canada's oldest establishments, and more recently one of the world's largest alcoholic beverage makers.

With an investment in the shares of Molson Coors, you're going to be getting much more reasonable valuation in return (at least historically speaking) along with a solid 2.45% annual dividend yield.

I say solid because that dividend is solidly backed by annual cash flows of roughly US\$1.5 billion after covering required capital expenditures and following a couple of consecutive quarters when management has prioritized the repayment of some of its larger debt maturities, you may want to expect a significant increase to the dividend potentially as soon as the latter part of 2019.

I like Molson as an investment because it's big and predictable.

You shouldn't be getting much in the way of surprises from this company, which for me warrants it making up a larger position within my investment holdings.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:HEXO (HEXO Corp.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

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