



Is Aurora Cannabis Inc. (TSX:ACB) or HEXO Inc. (TSX:HEXO) Stock Attractive Right Now?

Description

A recovery in marijuana stocks is bringing investors back into the sector, and many are wondering which [pot stocks](#) might offer the best opportunities for additional gains today.

Let's take a look at **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) and **HEXO** ([TSX:HEXO](#)) to see if one might be an attractive addition to your [portfolio](#).

Aurora Cannabis

Aurora Cannabis made two major acquisitions in 2018 that launched the company into the top tier of the marijuana sector. The purchases of CanniMed and MedReleaf for \$1.1 billion and \$2.5 billion, respectively, gave Aurora Cannabis a presence in key regions across the country and added important production capacity, as well as new brands ahead of the October launch of the recreational marijuana market.

Aurora Cannabis is also expanding its international presence. The company bought ICC Labs for \$290 million in November. The deal gives Aurora Cannabis a leadership position in Latin America, as ICC is based in Uruguay, where marijuana is already legal for recreational sales to adults.

In addition, Aurora Cannabis announced plans to acquire a major pharmaceutical business in Mexico. Farmacias Magistralis is the only company in Mexico with a federal licence to import products containing THC. The company will be able to manufacture, store, and distribute medical marijuana products in Mexico. The purchase gives Aurora Cannabis a head start in Mexico, which has a population of roughly 130 million people.

Latin America is home to 650 million, so the long-term opportunities in the region are attractive.

Aurora Cannabis has not announced a major beverage or tobacco partnership, but it wouldn't be a surprise to see a deal sometime in 2019.

The stock currently trades at \$8.25 per share, giving the company a market capitalization of about

\$8.24 billion. The shares bottomed out near \$5.30 in august, but still well below the 12-month high around \$15.

HEXO

HEXO has done a good job of positioning itself to benefit from medical and recreational marijuana demand in Canada. The company is the top supplier to the Quebec government for its store-based and online sales. HEXO, along with a partner, also has a contract to operate the distribution facility for Quebec's online cannabis sales.

Additional supply arrangements are in place with Ontario and British Columbia, so HEXO has most of the major markets covered. The company is also targeting the anticipated edibles and drinks market through its partnership with **Molson Coors Canada** and has a facility in Ontario, where it develops cannabis consumer products, including cosmetics.

Overseas, HEXO is building a large production facility with a Greek partner to supply the growing European market for medical marijuana.

The stock trades at close to \$7 per share, compared to \$4.30 in late December. Investors who stepped in before the holidays gave themselves a nice gift.

At the time of writing, HEXO has a market capitalization of just under \$1.4 billion.

Is one a better bet?

Aurora Cannabis is much larger and more established in Canada and abroad. Any news of a significant partnership with an international beer or tobacco company could send the stock soaring. If you want a buy-and-hold pick, I would probably go with Aurora Cannabis today.

Investors with a shorter time frame might consider buying HEXO on the hopes of a takeover premium, although the big rally in the past month could limit the upside on a deal. Aurora Cannabis might even be a suitor at some point.

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