

Opportunities Still Exist in the Cannabis Sector

Description

When legalization finally hit last year, the flurry of excitement and opportunity that investors had been feeling for the past few years suddenly felt less spectacular than most had expected. In fact, most of the cannabis stocks witnessed a retreat as the ramp-up to legalization was followed by a retreat across the entire market.

While that may have swayed some investors off the segment, there are still a number of intriguing investment options out there to augment nearly any portfolio, and one such company that investors should strongly consider is **Hexo Corp.** ([TSX:HEXO](#))

Growth opportunities

When it comes to growth, Hexo is booming with potential. The company initially preferred the domestic market, securing a number of different supply and product agreements with provinces and businesses around the country. Prime examples of this include the multi-year supply deal with Quebec, which calls for a total deliverable of 200,000 kilograms to be provided, and the agreement with B.C. Liquor Distribution Branch to sell Hexo's Elixir spray line.

An interesting point to mention is that when new opportunities finally come to market, they can put a significant strain on overall supply. We saw this last fall as countless cannabis suppliers quickly ran out of product and were unable to meet demand. This is one area that Hexo has adequately provided for and continues to expand on. Over the course of the past year, Hexo has broken ground on a new one-million square foot flagship facility, which significantly surpassed the previous flagship facility capacity of 250,000 square feet that opened recently as well.

Hexo also acquired an interest in a two-million-square-foot facility in Ontario that's set to become the distribution and development centre for many of Hexo's products.

Hexo's emphasis on the domestic market hasn't stopped the company from looking outside Canada for opportunities. Hexo's production facilities in Greece are ideally suited to help propel the company forward within the massive and potentially lucrative EU market.

Final thoughts (and a beverage)

Finally, let's take a moment to talk about Hexo's ongoing beverage venture. Hexo partnered up with **Molson Coors Canada** to develop and bring to market a line of cannabis-infused beverages. That venture now has a name, Truss and is being spearheaded by executives from both companies.

Despite the product being not yet being released, there is a sizable [opportunity for long-term patient investors](#). Consider the following: edibles are not yet available on the market and will likely come later this year in what is widely regarded as a second legalization wave; industry pundits peg the legalization

market potential falling between \$7 billion to \$10 billion, of which nearly 20% can be attributed to beverages; and Truss, and by extension Hexo, is well situated to become a market leader in the emerging field as one of the first players.

Even at the lower end of those projections, that equates to a market of \$1.5 billion for cannabis-infused beverages, which makes Hexo an [excellent long-term holding](#) for investors.

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2. TSX:HEXO (HEXO Corp.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

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Author

dafxentiou

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