



Is it a Good Time to Buy Aphria Inc. (TSX:APH) or HEXO Inc. (TSX:HEXO) Stock?

Description

Cannabis stocks have roared back to life in 2019, and investors who missed the rally in the pot stock market in recent weeks are wondering which marijuana stocks might be the best buys today.

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

Aphria

Aphria has likely been the pot stock most discussed around the water cooler in recent months. The action began with a short-seller report that claimed Aphria had significantly overpaid for acquisitions in made in South America.

The news initially sent the stock into a free fall at a time when the entire sector was already in retreat after the disappointing roll-out to the Canadian recreational marijuana market. Aphria's stock dropped from its closing price of \$10.50 per share at the end of November to a low of \$5 on December 5. Since then, the share price has trended higher, and the recent surge took it above \$14.

What happened?

A takeover attempt by U.S.-based **Green Growth Brands** helped bring investors back into the mix. The bid likely provided support for the perceived value of Aphria's broader business and stoked hopes of a potential takeover battle, as Aphria refused the overtures. The concurrent widespread rally in the cannabis sector also helped.

Where we go from here is anyone's guess. At the time of writing, Aphria trades for \$12.50 per share, giving the company a market capitalization of just over \$3 billion. It still hasn't announced a major alliance with a global tobacco or beverage company, so any news on that front could send the shares even higher.

If the overall business is sound, one of the larger peers might decide to step in and buy Aphria before the next leg to the upside. **Canopy Growth**, for example, has a market capitalization of \$21 billion right now, so the deal would be possible.

HEXO

HEXO is an interesting player in the cannabis market. With a current market capitalization of \$1.4 billion, the company is relatively small in comparison to the handful of other high-profile players, but it is positioned well to capture a fair chunk of the Canadian and European medical marijuana market through its facility expansions.

HEXO is the leading supplier to Quebec, and its partnership with **Molson Coors Canada** also puts it in good shape to compete once the sale of consumables goes live in Canada.

Consolidation is expected to continue in the cannabis industry, and HEXO would likely be an attractive target for its strong Quebec presence and the leg up it has on some competitors in the development of cannabis-infused beverages.

Is one a better bet?

Aphria has a history of making big acquisitions, so it isn't a surprise it pushed back against the Green Growth takeover, and management could even decide to take a run at HEXO. Whether or not that is on the radar is yet to be seen, but it would give the company a stronger Canada-wide presence and instantly provide a key beverage partnership. That said, Aphria has had a massive run in the past few weeks, and a large pullback might be on the way as investors book profits.

All of the cannabis stocks appear expensive, so investors should be cautious. If you are convinced the upward trend has legs through the rest of 2019, I would probably make HEXO the first pick of the two stocks.

If you are not optimistic on the outlook for cannabis stocks, other opportunities are worth considering in the market today.

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