



2 Marijuana Stocks to Watch in May

Description

The battle for supremacy in the marijuana industry is intensifying. While **Canopy Growth** and **Aurora Cannabis** have managed to capture about 50% of the Canadian market, other pot companies are attempting to improve their positions. Some firms are successful at doing so, and others, not so much. Let's look at two marijuana companies to watch this coming May: **Hexo** ([TSX:HEXO](#)) and **Cronos Group** ([TSX:CRON](#)) ([NASDAQ:CRON](#)). One of these firms is currently flying high, and the other recently posted disappointing financial results.

Hexo's rise to relevance

Hexo was a relatively unknown pot stock until recently. The Quebec-based company did not garner as much attention as some of its peers, and it still doesn't. However, in a move that sent shockwaves throughout the marijuana sector, [Hexo acquired](#) Newstrike Brands, a Toronto-based grower and producer of cannabis products in an all-share transaction valued at about \$263 million. Hexo's share value increased by 5.56% the day this acquisition was announced.

The resulting company will be better equipped to battle against cannabis giants. Note that Newstrike has in excess of 1.8 million square feet of cultivation space to work with, which, added to Hexo's 579,000 square feet, should result in a significant increase in production capacity. Hexo expects to deliver \$400 million in revenues in 2020. There is more going Hexo's way. Last year, the company formed a joint venture with **Molson Coors Brewing** to produce cannabis-infused drinks, which are expected to become legal in Canada sometime this fall.

Further, Hexo's valuation metrics are far more attractive than those of most of its peers. With a price-to-sales ratio currently hovering at around five, the firm seems like a bargain by comparison to the industry's standards. Thus, Hexo might just be one of the hottest pot stocks to grab in May.

Cronos's fall from grace

Cronos was sometimes touted as the best-performing marijuana stock of all time. The company had

been on fire since the beginning of the year, and that's in comparison with equity markets that have recovered since last year's slump. The company's share value increased by about 100% between early January and early March. However, Cronos recently reported its much-anticipated [Q4 financial results](#), and they were less than impressive.

Cronos showed an increase in revenues of 285% for the year. This growth was spurred by the sale of recreational marijuana products. But the company also reported significant losses of more than \$19 million. In short, Cronos is lagging far behind competitors such as Aurora Cannabis, despite being the more expensive stock. To make matters worse, Cronos stock was downgraded three times within the last three months. This does not bode well for the Toronto-based cannabis seller.

Cronos's share price has declined by more than 25% since its early March highs, reflecting investors' disappointment. Despite boasting a partnership with tobacco giant **Altria** and having an interesting (though likely not up to par) international presence, Cronos currently seems to be an unattractive marijuana stock. It will be interesting to see how things develop in May and beyond.

Investor takeaway

Hexo has managed to become a better-known company with strong growth prospects. Cronos, however, recently lost its allure in the eyes of many investors and analysts. There is little doubt as to which of these stocks is currently the better option.

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