



Better Buy: Aphria Inc. (TSX:APHA) vs. Hexo Corp. (TSX:HEXO)

Description

Speculation continues in the cannabis sector. Investor preference can change in a day or a week as no weed stock has exhibited momentum that could sustain or last longer than seven days. You can't blame investors for being flaky given the repeated price spikes and dips.

Aphria Inc. (TSX:APHA)(NYSE:APHA) and **Hexo Corp.** ([TSX:HEXO](#)) are not the industry leaders, but are major players in the cannabis space. The pair belongs in the lower rung based on market capitalization (\$2 billion to \$3 billion bracket). Canopy Growth's market cap ([TSX:WEED](#))(NYSE:CGC) is 10 times more.

Aphria lost steam

It is only proper to compare Aphria only with Hexo and vice-versa because the companies are on basically on equal footing. During the first two weeks of April, Aphria showed signs of strength. The price was moving up and down, although it went below \$13.00 only once. Investors were eagerly awaiting the earnings report.

The company reported on the 15th and presented disappointing earnings results. Trading volume more than doubled and the price tumbled -14.24 to \$11.50. By the end of the week, APHA sunk deeper to \$10.25. At least for this week, the stock has gained in each of the three trading sessions, but still below the \$13.00 level.

Hexo picked up steam

Aphria is facing rough sailing ahead as the wider-than-expected losses will be uppermost in investors' mind. Meanwhile, focus has shifted to Hexo. The stock picked up steam three trading days after Aphria reported earnings. From \$7.90 on the 16th, the price climbed +13.90% to \$8.99. As of this writing, the stock is trading at \$9.45.

What might be the reason for the sudden interest in Hexo? For one, Aphria turned off many investors

that sentiment fell to an all-time low. Aphria made a [bold prediction](#) early this month that sales would reach \$1 billion by the end of FY 2020, which could have been believable had the company bucked the industry trend.

Cannabis producers including Aphria and Hexo reported phenomenal revenue growth, but not one reported profits. There are concerns that Aphria might resort to borrowing if losses pile up. The company would need more cash to fund operations.

On the part of Hexo, the second-quarter financial results are better as net losses are relatively smaller. However, a number of investors felt shortchanged, as they are banking on a meteoric rise in medical cannabis revenue. Hexo's profile is a manufacturer of specialty and generic drugs.

Freaky price targets

Preferences and sentiments can change in an instant in this sector. For the first half of April, Aphria was a better investment choice. Heading into the last week, investors are seeing [bigger potentials for Hexo Corp.](#) But when you look at price targets of analysts, you might get weary.

Aphria will recover and increase by +58.9% to \$16.88 in the months ahead. Hexo could rise to \$14.00 or improve by +46.9%. If you're unsure, turning away from these stocks is the conventional wisdom.

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