



## Is HEXO (TSX:HEXO) or CannTrust (TSX:TRST) Stock a Buy Today?

### Description

Pot stocks are under pressure, and investors are wondering if some of the [marijuana producers](#) might be attractive picks right now.

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

### HEXO

HEXO is the leading marijuana company in Quebec with the largest supply agreement to the province. It also has a contract to operate the distribution centre for Quebec's online cannabis sales. The strong market presence in Canada's second-largest province by population would potentially make HEXO an attractive takeover target.

The company completed the construction of a major production facility earlier this year, adding important capacity. HEXO also acquired Newstrike in a move that increased its reach to eight provinces.

On the consumables side, HEXO has partnered with **Molson Coors Canada** to create a new firm, Truss, to develop and market cannabis-infused drinks. The government is expected to give the consumable segment the green light later this year, and some pundits say the drinks opportunity could be significant.

Overseas, HEXO is building a production facility with a partner in Greece. The site will supply the growing medical marijuana market in Europe.

HEXO's management team has a goal of making the company one of the top three global players in the cannabis market. Things might turn out that way, although I wouldn't be surprised to see HEXO get purchased in the next couple of years.

The stock currently trades for \$6.20 per share compared to the 2018 high around \$11. The market

capitalization is down to \$1.6 billion, putting HEXO easily in range for a buyout bid.

## CannTrust

CannTrust ran into trouble with Health Canada and is now seeking a buyer. The company apparently produced cannabis in unlicensed facilities and has halted all sales while the investigation continues. The stock is down from \$13 in March to \$3.50 and could fall further before the dust settles on the whole scandal.

Betting on a takeover premium right now would be a risky [contrarian](#) play. The vultures are circling, but there probably won't be a bidding war, even as CannTrust's market capitalization stands at \$500 million. Trying to figure out a fair value would be a challenge without knowing what penalties the government might impose.

## Is one attractive today?

The entire cannabis sector remains expensive, even after the pullback, and more downside could be on the way before the next bounce occurs. As such, I would keep any new investment in marijuana stocks small right now.

However, if you are a cannabis bull and are of the opinion the sector is about to bounce, HEXO would probably be the better choice today. CannTrust simply carries too much risk.

Opportunities in other segments of the industry might be worth considering.

### CATEGORY

1. Cannabis Stocks
2. Investing
3. Stocks for Beginners

### POST TAG

1. Cannabis

### TICKERS GLOBAL

1. TSX:HEXO (HEXO Corp.)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Cannabis Stocks

2. Investing
3. Stocks for Beginners

### Tags

1. Cannabis

### Date

2025/08/26

### Date Created

2019/07/23

### Author

aswalker

default watermark

default watermark