



Are These 2 Top Canadian Cannabis Stocks a Buy?

Description

If there's one thing that hurts the markets, it's uncertainty. The Canadian cannabis space is characterized by its unpredictable nature and has been even before legalization. From turbulence driven by retail bottlenecking and supply issues to a crowded and competitive field facing off against the black and grey markets, uncertainty has been a common facet of cannabis investing since its inception.

There's also the issue of legal challenges aimed at some of the biggest dual-listed Canadian cannabis producers. While the outlook for legal weed is looking a little brighter this year, the uncertainty of lawsuits add to the headwinds facing the cannabis space. Will 2020 be the year that investors finally lose patience? It could happen, especially if sales don't improve fast enough.

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) and **HEXO** ([TSX:HEXO](#))(NYSE:HEXO) are among the big names that have faced scrutiny. They also represent two distinct ways to play the Canadian cannabis space. While much of the momentum of the marijuana market has diminished post-legalization, there could still be upside in this beaten-up sector: firstly by [backing the strongest player](#) and secondly by betting on a takeover.

Two stocks to play the Canadian cannabis space

While Canopy is an early market leader, HEXO is among the most turbulent of Canadian pot stocks, with huge share price fluctuations and a loss of 67% on the markets in the last 12 months. HEXO finished last week down by 9%.

The plunge comes after HEXO's proposal to float and sell 12 million shares at a knock-down price in part to fund working capital and R&D. Up to this point, HEXO stock had been rallying last week with +20% gains.

Canopy was also rallying last week — a trend that could continue this week. The top pot producer caught tailwinds from a beefed-up retail outlook — thanks to its Tokyo Smoke initiative — and thenews that Congress is continuing to debate marijuana legalization south of the border.

Pot stock investors are used to mixed messages by now, though the announcement that Canopy would be delaying its cannabis-infused drinks range is a blow to stockholders holding out for upside from the “Cannabis 2.0” reboot of the legal marijuana sector, which gave the green light for edibles, topicals, and vape products for production and distribution. The much-anticipated Canopy drinks operation is still scaling up.

HEXO is significantly discounted and offers new investors a two-tiered [contrarian play](#): on the one hand, the HEXO brand is strong and could come out of the muddy cannabis battles as a dominant leader. On the other hand, the company could be bought out by a bigger outfit. Either way, HEXO is cheap enough for a speculative play with potential for surprise upside.

The bottom line

HEXO is still a key contrarian play on extreme value with the outside chance of a takeover bid, which could net investors some tantalizing upside if such an event is timed right. Canopy, in the meantime, is still on track to lead in the legal cannabis space, with strong branding, a defensively substantial market cap, and key international reach.

CATEGORY

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

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1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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