



This Top Canadian Cannabis Stock Remains a Buy Today

Description

The cannabis industry has seen some astonishing ups and downs in recent years. After several stocks seeing valuations rise in 2018, downturns in the following two years saw investors steer clear of this sector in general.

Today, this sector is back in high gear, as speculators have taken these stocks on a nice ride. Indeed, it appears that there has never been a better time to jump into cannabis stocks, for those willing to speculate on these growth plays. Amid this new optimism, **Hexo** ([TSX:HEXO](#))(NYSE:HEXO) has been a three-bagger over the past 12 months.

Here's why this stock remains one of my [top picks](#) in the cannabis sector today.

One in five Canadians consume cannabis

A new study published in Health Report indicates the popularity of cannabis in Canada. It states that at least one in five Canadians consumed cannabis in the last three months, which is a striking 14% rise in reported use after legalization in October 2018. Daily or almost daily use also reportedly rose from 2019's 6.1% to 7.9% in late 2020.

The pandemic directly or indirectly caused this increase in cannabis consumption, as almost 34% of Canadians reported that consumption increased compared to the pre-pandemic period. Indeed, 68% of cannabis users said they obtained at least some of the consumed cannabis legally in 2020.

Since legalization, countrywide access to legal stores increased eightfold, which might be one reason behind this dramatic rise. Additionally, I believe this trend is sustainable. As governments seek additional revenue to offset budget deficits, cannabis is one lever that can be pulled for tax revenue.

This rise in consumption presents a bullish case for cannabis growers in itself. A boost in sales is enticing for investors who will be betting on the chance at capital appreciation.

Hexo's strong domestic presence is a key tailwind

Investors looking to take advantage of this demand surge in Canada should look to the country's strongest players. And in that regard, Hexo is among the best domestic cannabis plays in Canada.

Hexo has been making some interesting moves to grow its market share domestically. The company's planned acquisition of **Zenabis Global** for \$235 million will cement its position as one of the top three players in the recreational market. Furthermore, its partnership with **Molson Coors** provides an excellent opportunity for exposure to the U.S. cannabis market.

Hexo is an excellent domestic play that is heavily focused on dominating the domestic cannabis market. It has secured a massive market share in Quebec, which is one of the largest cannabis markets in the country. Quebec's provincial government also heavily supports its local businesses via lucrative contracts to support long-term operations.

For those seeking a high-quality Canadian cannabis player, I'd recommend checking out Hexo today.

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