



## Hexo Versus Air Canada: Which Stock Offers Greater Value?

### Description

Over the last year, several popular Canadian companies have caught the attention of investors. Two of those stocks have been **Air Canada** ([TSX:AC](#)) and **Hexo** ([TSX:HEXO](#))([NASDAQ:HEXO](#)).

Both stocks have been beaten up badly recently, so naturally, savvy investors are interested in finding any opportunity to buy these stocks while they are undervalued.

However, with the stocks being on such a consistent long-term downtrend, a significant turnaround and recovery will be needed. So can either stock offer recovery potential to investors? And which stock is the better investment today?

## Hexo or Air Canada: Which stock should you buy today?

While Hexo and Air Canada couldn't be two more different businesses, both stocks have seen their share price impacted significantly lately.

Hexo, a [cannabis producer](#) is down 73% in the last six months. The stock is now worth just \$450 million.

Air Canada, on the other hand, the largest airline in Canada, is down just 9% over the last six months. However, its stock continues to trade more than 50% below where it was at the start of the pandemic.

So it's clear both stocks have been hit hard, and relative to their past, are now trading cheap. Despite this perceived discount in the share price, though, it doesn't necessarily mean that they are trading undervalued or that they are worth an investment.

For example, Hexo stock has a [market cap](#) of \$450 million but has done just \$110 million in sales over the last 12 months. The stock is nowhere near making enough sales to earn a profit, let alone a profit to justify its \$450 million valuation.

Air Canada stock is not much different. While it used to be worth \$50 a share, its business has been

impacted for over a year, and the stock has lost a tonne of value and had to take on a significant amount of debt.

So even when the pandemic is over and its sales finally return to normal, it's not going to be the same company it was before the pandemic, and therefore likely won't reach its pre-pandemic price for some time.

## Bottom line

Neither stock particularly offers investors that much value today. With that said, though, if I had to choose one of the two stocks to buy today, I'd lean toward Air Canada.

While we don't know when Air Canada stock's business will recover, we do know that it's highly likely that it will at some point.

Can the same be said for Hexo? First, it has never had a successful business for years before, like Air Canada. The industry is entirely new. So an investment in a cannabis producer has a lot more uncertainty than Air Canada today. Second, it's an industry with much more competition at the moment, including from the black market.

And with no profitability yet, it could take years for an investment Hexo stock to pay off. So while I don't think either is particularly the best stock to buy [in October](#). If I had to choose, I think Air Canada is the better choice.

Both are speculative investments at this point, but ultimately Air Canada stock has less risk, especially if you're willing to hold either for years.

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2. TSX:AC (Air Canada)
3. TSX:HEXO (HEXO Corp.)

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danieldacosta

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