



Why Hexo (TSX:HEXO) Is the Best Cannabis Stock to Buy Right Now

Description

Here's my case as to why shares in **Hexo** ([TSX:HEXO](#))(NYSE:HEXO), right now trading not far off their respective 52-week lows, could very well be the best investment anywhere among cannabis stocks today.

HEXO is a large cannabis company, granted, it's not quite at the same levels as the likes of **Canopy Growth**, **Aurora Cannabis**, or **Cronos Group**, each of which are multiple times larger than Hexo's market capitalization of \$1.35 billion but still big enough to qualify as one of Canada's 10-largest cannabis stocks.

Hexo's size make it a real player within the space, big enough to be active in M&A markets and big enough to achieve real meaningful scale in terms of its long-run production potential, but not so big that it isn't unreasonable to project that perhaps even within a couple of years (if not sooner) this could be a company that one day trades at multiples of its current valuation.

HEXO also partnered up with **Molson Coors Canada** a little over a year ago to form a joint venture aimed at developing cannabis-infused adult beverages, similar to the strategy followed by the aforementioned [Canopy Growth](#) when it agreed to partner a larger, more experienced investor in **Constellation Brands** in 2018.

However, cannabis stocks have seemingly found themselves on hard times as of late — a trend which goes all the way back to last October when recreational cannabis officially went above board in Canada.

Just earlier this week, the aforementioned Constellation Brands announced that it had [recognized a loss of US\\$484 million](#) in the second quarter thanks to its investment in WEED stock, on top of a US\$839 million write-down on the fair value of its equity investment in Canopy.

But volatility was always to be expected in this still nascent market for pot stocks.

And in addition to the advantage that HEXO currently enjoys in terms of being in the “sweet spot” of publicly traded market values, the fact that's aligned itself alongside a corporate partner with over 200

years of experience, I really dig the angle that HEXO is taking with respect to the market it's planning to target with its product line.

You see, even though it does currently sell the traditional "dry flower" product that most will instinctively associate with the marijuana plant, HEXO's grand vision in all of this is to become "the premier branded ingredients for food cannabis company in the world."

Because cannabis edibles aren't legal in Canada yet, not only does this mean that Hexo is going after a market that doesn't even exist yet but also one that some experts could one day completely dwarf the size of the estimated recreational cannabis market today.

At present, the Canadian medicinal market is valued at close to \$3 billion annually, while recreational use is valued at a figure approaching \$10 billion annually.

However some experts are anticipating that the market for cannabis products globally, including not just dry flower, but concentrates, edibles, creams, and even beverages, could reach as much as US\$115 billion annually and potentially within the next decade.

Even if HEXO can carve out just a small but loyal niche within this massive market, there's good reason to believe that before the next decade is over, its annual sales could be wildly above management's current forecasts for achieving a \$400 million run-rate by fiscal 2020.

An opportunity that would represent not just an outstanding opportunity for HEXO, its employees and management, but its shareholders as well.

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