



Should You Buy HEXO Corp. (TSX:HEXO) Stock Right Now?

Description

Cannabis stocks have enjoyed a nice recovery in the first quarter of 2019 and investors are wondering which marijuana stocks might be attractive buys today as the industry continues to evolve.

Let's take a look at **HEXO** ([TSX:HEXO](#)) to see if it deserves to be in your portfolio today.

HEXO

HEXO just reported fiscal Q2 2019 results that show the company is steadily growing. Gross revenue jumped 144% compared to the previous quarter, supported by recreational marijuana sales in Canada and a 39% increase in dried cannabis production.

Supply shortages are an issue in the Canadian market and HEXO's new one-million-square-foot facility will help the company meet rising demand in its core Quebec market as well as in other provinces. HEXO expects to see its first harvest in the new facility by the end of March and says it is on track to ramp up to annual production capacity of 108,000 kg of dried cannabis.

In addition, HEXO is buying **Newstrike Brands** in a deal that will expand HEXO's distribution agreements to eight provinces and add 150,000 kg per year in production capacity. Synergies are expected to be about \$10 million per year once the two companies complete their integration.

HEXO is making progress on its development of cannabis-infused beverages in anticipation of a late 2019 opening of the marijuana edibles market in Canada. The company has formed a joint venture called Truss with **Molson Coors Canada**.

In Ontario, HEXO has a 25% stake in a two-million-square-foot facility that will be used as a hub for the development and distribution of its portfolio of cannabis products, including edibles, cosmetics, and vapes.

Overseas, HEXO is preparing to take part in the expected boom in medical marijuana demand in Europe. The company is building a 350,000-square-foot facility in Greece with a local partner that will

be used for manufacturing, processing, and distribution for the European medical cannabis market that could be as big as \$110 billion per year by 2028, according to the company's news release.

Should you buy?

HEXO's stock is currently trading at \$8.65 per share, putting it close to its all-time high. The company now has a market capitalization of \$1.8 billion, which is expensive based on the revenue stream, but all of the major marijuana stocks trade at extreme valuations. HEXO is still small when compared to the larger players in the sector.

Management has done a good job of positioning the company for growth and the Newstrike deal gives HEXO better Canadian coverage. The company is the dominant player in Quebec and that could attract takeover interest as the industry continues to consolidate.

I wouldn't allocate a large part of your portfolio to the stock, but HEXO appears to be in a good place in the marijuana sector and should be an attractive pick for investors who enjoy betting on the underdog.

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Date

2025/08/24

Date Created

2019/03/28

Author

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