



3 Reasons Why Hexo Corp. (TSX:HEXO) Is the Must-Have Weed Stock

Description

There's a feeling of great elation in the cannabis space, particularly among **Hexo Corp.** ([TSX:HEXO](#)) investors. It would be a good time to celebrate with a few rounds of Molson Coors beer. The Quebec-based cannabis operator has shored up its [industry standing](#).

Is the period of speculation over? It appears that way following a series of positive news that thrust HEXO back in the limelight. Investors shied away before due to unpredictability. But with a more calculable performance, the trading volume is likely to pick up when they return. Three things will make HEXO [a must-have weed stock](#).

Imposing recreational sales

The last quarterly report (ended January 31, 2019) by HEXO already incorporated one full quarter of legalized cannabis sales in Canada. Net revenue increased by 136% to \$13.4 million (net of excise taxes), which was complemented by a 52% gross margin. The jump from \$1.2 million for the same period last year was mind-blowing.

Recreational sales in Quebec contributed the most to the revenue. It didn't come as a surprise because HEXO locked in a five-year agreement with the province. For the first year, projected sales in the adult-use market are about 20,000 kilos. Quebec would continue to deliver the bulk of sales as volume gradually increases.

In the second and third years, HEXO would be supplying 35,000 and 45,000, respectively. The volume in the fourth and fifth years has yet to be determined although the estimated total for the five-year preferred supplier agreement would be in the vicinity of 203,950 kilograms. There were sales in two other provinces.

HEXO is leaving no stone unturned by boosting production and deliver on all of its commitments. Currently, 250,000 square feet is being utilized for production. There is an ongoing expansion to make it a total of 1,000,000-square-foot.

Pact of the year

HEXO's financial outlook for fiscal 2020 improved with the acquisition of Newstrike Brands. The latter is a licensed producer of cannabis that is permitted to cultivate and sell cannabis in all acceptable forms. HEXO's gross and net revenues are expected to top \$479 million and \$400 million respectively.

The deal of the year would mean a boost in capacity using state-of-the-art cultivation infrastructure. It opens the door for diversified domestic market penetration. HEXO just gained access to a premium indoor facility and improved efficiency in synergy with Newstrike.

Preparing for the new market

HEXO is biding its time knowing the joint venture with Molson Coors will come into play very soon. Canada's legalization of CBD-infused beverages and edibles is due by the end of October. The growth potentials of this new market are huge. CBD beer is already being developed and HEXO will definitely be in the thick of things.

All things considered, HEXO holds all the winning aces. Nothing could be more attractive than the projected level of top-line growth. Investors shouldn't be entertaining thoughts about buying this must-have weed stock. It's now or never.

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Date

2025/09/20

Date Created

2019/03/29

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