



## Is HEXO (TSX:HEXO) Stock a Buy After a 40% Pullback?

### Description

Shares of **HEXO** ([TSX:HEXO](#)) are down nearly 40% from the April high, and investors who missed the big rally to start the year are wondering if the pullback is an opportunity to start a new position in the popular [marijuana stock](#).

Let's take a look at the current situation to see if HEXO deserves to be on your [buy list](#).

### Market outlook

The emerging cannabis sector has been on a wild ride in the past three years as players compete to secure footholds in key developing markets while keeping a high enough domestic profile to attract the capital needed to expand production.

The recent volatility aside, HEXO has been a pretty good investment in its short lifetime. The stock was \$0.50 three years ago and drifted steadily higher to about \$5.50 at the end of last summer before the entire sector rocketed higher ahead of the launch of the recreational marijuana market in Canada. HEXO hit \$8.75 near the end of September before sliding with its peers through the next couple of months until it bottomed out in late December around \$4.31.

The 2019 rally took it to a high above \$11 amid a new wave of optimism in the sector. Part of that came as a result of the broad-based recovery in equity markets. Investors also thought the issues that caused the slow start to the recreational market would be resolved by the middle of this year, but growing pains remain.

In addition, there might have been a surge due to enthusiasm around the upcoming launch of the marijuana edibles market.

### Should you buy HEXO?

Ongoing volatility should be expected, and there is a chance that the stock could extend the recent

slide before we see a new rally. That said, investors who like the long-term outlook for the cannabis industry might want to start nibbling on the stock.

HEXO is the leading player in Quebec, and its acquisition of Newstrike expanded its supply agreements to eight provinces. In addition, HEXO and its partner **Molson Coors Canada** are making progress on the development of cannabis-infused drinks for the upcoming market opening. If the drink business takes off as expected, the stock could get a big boost in 2020.

At the current price, HEXO has a market capitalization of about \$1.75 billion. The company might become a takeover target as consolidation continues among the marijuana players. The head start on the drinks business and the stronghold position in Quebec should make HEXO an appealing acquisition. Whether an offer will come at a big premium is anyone's guess, but investors shouldn't rule out the possibility.

If you are a marijuana bull, HEXO might be an interesting contrarian pick today.

## CATEGORY

1. Cannabis Stocks
2. Investing

## POST TAG

1. Cannabis

## TICKERS GLOBAL

1. TSX:HEXO (HEXO Corp.)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## Category

1. Cannabis Stocks
2. Investing

## Tags

1. Cannabis

## Date

2025/08/26

## Date Created

2019/06/26

## Author

aswalker

default watermark