



Why Hexo (TSX:HEXO) Stock Fell 19% in June

Description

Heading into June, Quebec-based cannabis producer **Hexo** ([TSX:HEXO](#)) was having a strong year in the markets — up more than 60% on the year. Then it reported third-quarter earnings June 14, and some of the shine came off its stock.

Hexo finished the month of June down 19%. Here's why.

Hexo's revenue in the third quarter was \$13.02 million — 2.8% lower than its revenue in the second quarter. Meanwhile, some of its Canadian rivals such as **Canopy Growth** and **Aurora Cannabis** delivered sequential growth in their most recent quarterly reports.

In addition, the consensus estimate for the third quarter was \$14.8 million; Hexo missed that by \$1.78 million. Again, investors weren't impressed.

However, to downplay the quarterly results, Hexo CEO Sebastien St. Louis did say that it sold 9% more adult-recreational use pot in terms of kilograms (2,700) over the second quarter, which means the average price for adult-recreational use pot dropped during February through April.

On the bottom line, Hexo lost \$7.75 million in the third quarter, or \$0.04 a share, 293% higher than a year earlier, but \$0.01 better than the \$0.05 consensus.

The third quarter might not have been terrific from the financial results, but the company continues to grow its business.

In the third quarter, Hexo added 374 employees, almost doubling its workforce in a single three-month period. It also increased its cannabis production capacity by 98% to 9,800 kilograms.

Also, it completed its \$260 million all-stock acquisition of Newstrike Brands during the third quarter, which increased the company's overall capacity to 150,000 kilograms of cannabis annually.

If you're an aggressive investor, June's decline due to weak earnings appears to be an opportunity to buy Hexo stock on the dip.

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