You Need to Buy HEXO (TSX:HEXO) Today!

Description

Generally speaking, I am not big on recommending stocks in the marijuana industry.

The reason for this is because the marijuana industry is so inflated, I find it hard to find a company that has a strong underlying business and a competitive advantage in the crowded industry.

That said, **HEXO** (TSX:HEXO)(NYSE:HEXO) is a game changer in the marijuana industry. For those of you unfamiliar with the company, it is a consumer packaged goods cannabis company specializing in ease-of-use marijuana products.

Its brands include the eponymously named HEXO, the sublingual mist product line Elixir, the fine-milled cannabis line Decarb and the typical dried cannabis. On a purely revenue basis, the company is the sixth-largest marijuana company in North America.

Its reputation has helped the company secure a $65 million syndicated credit facility with **CIBC** and **BMO**, which gives credibility to HEXO.

The reason why HEXO is worth your investment is due to its price point and its increasing revenues.

Attractive price point

Let's face it, at $32.85 a share, **Canopy Growth's** stock prices out a lot of investors. If you were to buy just 100 shares of Canopy Growth, you would be paying over $3,000!

I don't know about you, but for investors like me, that's a significant chunk of my portfolio. Unlike Canopy Growth, HEXO is priced at $5.46 a share, which means 100 shares will only set you back $546.

In the investing world, it has been said that returns should be based on percentages — not values; however, I beg to differ.

Think of it this way: if you've put $3,285 into Canopy Growth (essentially buying 100 shares) and it goes down by 10%, you've lost $329.

If you purchased 100 shares of HEXO for $546 and it declined 10%, you would lose $55. As you can see, the amount of risk you're exposed to at HEXO's price point is much less than Canopy Growth. At the end of the day, both stocks are in the marijuana industry, which means the volatility for the two would be comparable, but at least with HEXO, you'll still have money left in your portfolio.

Steadily increasing revenues

I was pleasantly surprised to see HEXO's revenues increasing since fiscal 2016.

From fiscal 2016 to fiscal 2018, its revenues have grown from $1.87 million to $4.93 million for a compounded annual growth rate of 38.14%!

Given that Canopy Growth lost $1.2 billion in one quarter this year, HEXO is definitely showing it's healthier and better managed than its competitor.

Admittedly, the company took a net loss of $23 million in fiscal 2018, which is not ideal; however, the company's competitive advantage by targeting the ease-of-use market puts it several steps ahead of Canopy Growth, even with its net loss.

Summary

Investors have definitely overlooked HEXO during the marijuana craze partially due to its comparatively small market capitalization at $1.4 billion.

This is advantageous for people like you who are reading this article, as HEXO is currently trading at an attractive price point, and it is showing signs of steady revenue growth.

Both these traits coupled with its focus on the ease-of-use market put HEXO in a strong position, where it can grow and deliver solid returns to investors.

If you liked this article, click the link below for *exclusive insight.*

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. TSX:HEXO (HEXO Corp.)

PARTNER-FEEDS

1. Business Insider

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

Category

1. Cannabis Stocks
2. Investing

Date
2025/07/04
Date Created
2019/09/28
Author
cliu