Sell-Off Alert: HEXO (TSX:HEXO) Stock Is Down After CFO Quits

Description

This summer, pundits were asking themselves whether the share price of pot stock **HEXO** (TSX:HEXO)(NYSE:HEXO) was justified according to its fundamentals — a question not reserved just for HEXO.

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Then HEXO's chief brand officer and co-founder Adam Miron stepped down in July. The stock plunged, losing a fifth of its value.

Then on Friday, HEXO's chief financial officer Michael Monahan threw in the towel. At close of play, the stock was down by a quarter of a percent, though this deepened quickly to a 4.2% loss by Friday evening in after-hours trading. Today has already seen the stock lose 6% at the time of writing.

Since Monahan only took the reins as CFO in June, investors may begin treating HEXO to a higher level of scrutiny, especially because it's been such a short period of time since its previous management shake-up. However, Monahan cited personal reasons for standing down, and HEXO's CEO and co-founder, Sebastien St-Louis, has praised his contribution to the business.

Cannabis bullishness prevails, but it's a stock-picker's market

This is one sector that doesn't play nice with ETFs. While businesses in other sectors tend to move as one flock, such as banking or precious metals, cannabis is still too nebulous an industry for that. With companies pursuing a wide range of disparate corporate strategies, from deals with seemingly unrelated partners to business plans that depend on untried markets, the sector has yet to stabilize.

Already having ditched more than half its value from a year-long high of $11.29, HEXO could be looking at an even deeper sell-off after a change of staff that comes amid ratcheting uncertainty in the markets. Additionally, there's always the possibility that HEXO could even become one of the first fairly large cannabis companies to be bought out entirely by a larger competitor.

Consider swapping out shares for this CBD market leader

In the meantime, cannabis investors looking to jump ship might want to reinvest in companies with more upside such as **Charlotte's Web Holdings**. From high growth potential to a well-developed sense of branding, Charlotte's Web is a stronger play than many other stocks in this space. Its operational space has grown by almost 300% since last year, with revenue leaping by 45%.

If you're looking to jump on the CBD train, Charlotte's Web is a good place to join. While some areas of the U.S. still look unfavourably upon hemp-based products, hemp growing became legal in the U.S. in December. This, along with a key deal with grocery giant Kroger, makes Charlotte's Web an early industry leader in the CBD sector and a strong play for assured growth in a tried-and-tested market.

The bottom line

Companies with tried-and-tested business models, especially the ones most likely to become profitable ahead of the pack, are the best investments in this space. While HEXO may recover some of its losses, losing a high-ranking member of management is not usually a good sign. Charlotte's Web remains a strong play, meanwhile, as the market is increasingly bullish on CBD growth, especially in the U.S.

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