



Should Hexo (TSX:HEXO) Investors Be Alarmed After the CFO's Sudden Departure Just Weeks Before Earnings?

Description

Last week, we learned that **Hexo's** ([TSX:HEXO](#))(NYSE:HEXO) recently hired CFO Michael Monahan was resigning, just months after taking the job back in May. What's surprising is that he cited location — Hexo is based the Gatineau-Ottawa area — as one of the key reasons as to why he would be resigning from the position. While the reasons could very well be legitimate, any time there's a high-ranking official leaving a company, especially one in the cannabis industry, it's going to raise some eyebrows and have some people second-guessing the reasons.

Why the departure of a CFO can be concerning to investors

One of the reasons investors can get spooked about a CFO leaving the company is that it's such a critical position in the company. Whether it's drawing up forecasts or ensuring that financial figures are accounted for properly, it's a role that has a lot of responsibility and one that investors pay close attention to. And indeed, on Monday, the first day investors had a chance to react to the news, the stock fell by 6.6%. It's a considerable drop for a stock that had been making some decent gains in the days prior to the decline. Whether it's a coincidence or not is hard to gauge; after all, cannabis stocks have been very volatile this year.

But with Hexo coming under fire because it [could be in trouble with regulators](#), investors may be on a bit of high alert given the [problems](#) we've seen with **CannTrust** and other companies this year. Another reason investors may have bolted is that the company has also made some pretty lofty goals for 2020, projecting sales to reach \$400 million during the fiscal year. That would have to be some explosive growth for the company given that over the past three quarters, sales have totalled just over \$32 million.

And to add more conspiracy into the mix, Hexo is also expected to release its quarterly results later this month. There are no shortage of reasons as to why Hexo investors may be more than a little alarmed by the news and suspicious of the reasons behind it. But even if it turns out to simply be coincidental, turnover at that position is still not what investors like to see, as it's a role that's very important and that

companies typically spend a lot of time recruiting for to ensure that they fill it with the right candidate.

Takeaway for investors

Hexo's share price has fallen more than 40% in just the past six months. With cannabis companies underperforming this year, a CFO leaving his post just weeks before earnings is something I wouldn't completely ignore, especially given how short the tenure has been. With everything taking into consideration, I'd be surprised if Hexo impresses investors this month with its earnings results, as the writing could very well be on the wall.

Overall, there's simply too much volatility in the industry right now, and this move isn't going to instill any additional confidence in the company heading into earnings. Investors may want to exercise some caution on Hexo in light of these developments and hold off on buying the stock for now.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

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

Tags

1. Cannabis

Date

2025/08/25

Date Created

2019/10/08

Author

djagielski

default watermark

default watermark