



Is MedMen Stock a Buy After Announcing a Change in Leadership?

Description

It's not often that you see a stock get a boost in value because its CEO leaves the company, but that's what happened with **MedMen Enterprises** ([CNSX:MMEN](#)) stock.

On Friday, the company announced that CEO and co-founder Adam Bierman would be stepping down and would no longer be at the helm as of February 1. Shares of the struggling stock rose by 7% and at one point were up more than 16%. While pot stocks normally experience a lot of volatility, investors were evidently bullish on the news.

The stock has been in free-fall

Heading into February, MedMen stock has fallen by more than 85% over the past 12 months — an astounding fall for a company that once showed a lot of promise.

Its store designs, which resembled **Apple's** open layouts, looked to be a hit with consumers. And although the company has been generating strong sales, the problem is that its losses have continued to mount.

In its most recent quarter, the company used up US\$44 million to fund its operating activities. While that's an improvement from the US\$50 million that it [burned through](#) in the prior year, it's still a concerning level of cash.

With a lack of profitability and a falling share price, it makes for a potentially dire situation, as taking on debt may only saddle the company with interest costs and various restrictions, while issuing more shares will only drive the stock down even further.

It hasn't been a fun ride for investors, which is why the change may be welcome. MedMen's former CFO filed a lawsuit against the company last year, suggesting that Bierman and the company's management was wasteful when it came to spending.

While the truth of that is uncertain and the company denies the allegations, the stock's rally on news of

Bierman departure suggests that investors also had concerns about MedMen's leadership. While no replacement has been named, the company said that it would be considering both internal and external candidates for the role.

Does this make MedMen stock a buy?

The departure of Bierman could lead to a change in direction for the company, but until a new leader is appointed it may be unclear if this is a win for investors.

If a member of the company's leadership team assumes the position, it may not be as drastic of a change as if a new, external candidate were to take over.

That said, given the company's financial woes, even a new leader with an entirely different vision for the company may find it difficult to turn things around.

With or without Bierman, MedMen is still a [risky](#) buy today. Before deciding to buy shares of the company, investors should first wait for the company to release its second-quarter results, which are expected later this month.

Unless there's a significant improvement to either the company's profitability or rate of cash burn, investors may want to avoid buying shares of the pot stock for now.

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