



## HEXO Earnings: Top 3 Quotes You Should Hear

### Description

**HEXO** ([TSX:HEXO](#))(NYSE:HEXO) announced earnings for the third quarter of the fiscal year 2020 on Thursday. The results of the HEXO earnings depict enormous progress by company leadership to gain market share and improve production efficiency.

During the investor earnings presentation, HEXO leadership discussed firm market share, new store growth, and production costs.

Cost competitiveness and market reach are crucial for firms in competitive industries like cannabis. Thus, Canadian investors should pay attention to the following top three quotes from the conference call.

### HEXO controls a market share of 30%

Sebastien St-Louis, the co-founder and chief executive officer, announced HEXO's current market share in the burgeoning cannabis sector:

"We've maintained a market share north of 30% and we continue to provide outstanding service to the suppliers market. And at this point, with the new success we've had operationally, we're poised to expand nationally and to start to provide that same level of service in other markets."

Often, investors focus on the market share growth of firms in nascent industries like the newly legal cannabis sector.

A market share of 30% for HEXO products is outstanding. This means for every dollar spent on similar cannabis products within HEXO's portfolio, \$0.30 is spent with HEXO.

Overall, HEXO is doing a great job of growing its sales and building relationships with cannabis suppliers.

## Will COVID-19 impact new store growth?

Sebastien St-Louis also updated shareholders on the company's progress toward achieving positive adjusted EBITDA:

“Our plans to achieve adjusted EBITDA positive in the first half of fiscal 2021 or the end of the calendar year will depend on the growth of retail stores in our two largest markets, Ontario and Quebec. It's difficult to determine the timing of new licenses for new retail stores in Ontario and the build-out of additional stores in Quebec...”

Undoubtedly, the coronavirus pandemic and accompanying restrictions to travel and social-distancing norms create barriers to the build-out of new stores. Moreover, the ambiguous effect on the licensing process makes it difficult for HEXO to reliably forecast new store openings.

Current and aspiring shareholders in HEXO should pay attention to HEXO's forward guidance on achieving positive adjusted EBITDA. The firm's ability to meet these goals is likely to be a key driver of HEXO's share price on the **Toronto Stock Exchange**.

## HEXO earnings: COVID-19 reduces production costs

Chief Financial Officer Steve Burwash commented on COVID-19's impact on the cost to produce cannabis goods:

“Some of the factors that contributed to the labor cost decreasing were COVID-19, which allowed for reduced labor inputs to our cost per gram and also activity in our Belleville facility for packaging.”

Based on this quote, it sounds as if cannabis can and does *grow itself* (so to speak). Although work-from-home trends and social-distancing requirements forced the company to lighten employee hours, production remained stable. In other words, efficiency improved during the coronavirus pandemic.

Cost competitiveness is critical for all firms, particularly those like HEXO in expanding sectors like marijuana. Particularly in [high-cost Canadian cannabis facilities](#), every penny in the cost per gram can make or break an otherwise great company.

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