



Hexo (TSX:HEXO) Stock Soars 9% as Revenue Nearly Doubled in Q2

Description

Hexo ([TSX:HEXO](#))(NYSE:HEXO) released its second-quarter financial results on Thursday morning. Hexo stock soared by 9% shortly after the opening bell, as investors cheered a strong rise in revenue.

The pot company strengthened its positions in several key Canadian markets outside Quebec while maintaining its leading competitive position in Quebec.

Hexo posted a loss of \$20.8 million in the second quarter

Hexo is a consumer packaged goods cannabis company, which creates and distributes products to serve the global cannabis market. It serves the Canadian adult-use markets under its HEXO Cannabis, Up Cannabis, and Original Stash brands, and it serves the medical market under HEXO medical cannabis.

Hexo posted a loss of \$20.8 million in its most recent quarter, as revenue nearly doubled from a year earlier.

The cannabis company said its loss stood at \$0.17 per diluted share for the quarter ended January 31.

The result compares to a loss of \$298.2 million, or \$4.52 per diluted share a year earlier, when the company incurred significant one-time charges related to its goodwill and intangible assets.

Hexo's total net revenue were \$32.8 million, up 94% from the same quarter a year earlier and 12% up from the first quarter of fiscal 2021 ended October 31, 2021. The company achieved positive adjusted EBITDA. This quarter marks Hexo's seventh consecutive quarter of adjusted EBITDA improvement.

Non-beverage Canadian adult-use revenue increased by 72% from the second quarter of 2020.

Adult-use net revenue rose 10.5% in the second quarter, marking the fifth consecutive quarter of growth.

Hexo remains number one in Quebec

Hexo has kept its number one position for market share in Quebec while increasing adult-use net revenue in the rest of Canada to 49% of the company's sales mix, up from 44% in the first quarter of 2021.

[Sebastien St-Louis, Hexo CEO and co-founder, said in a statement](#): "Our continued focus on delighting consumers has seen us increase our market share across Canada while maintaining the number one position in Quebec. We're also very excited to have launched 'powered by HEXO' CBD beverages in Colorado. Our net revenues and gross margin have continued to improve year over year, bolstered by our premium product mix with the relaunch of UP Cannabis."

UP Cannabis brand gross revenues increased to \$3.2 million, representing 8% of total adult-use, non-beverage gross revenue in the second quarter of 2021 compared to less than 1% in the first quarter due to the successful relaunch of the UP brand at the end of first quarter.

Brand mix, including the UP Cannabis brand, increased non-beverage adult-use gross margin to 37%, up from 36% in the first quarter.

Hexo has maintained the number one position in the beverages category with net revenues up 11% from the first quarter.

Last month, Hexo announced a deal to buy competitor **Zenabis Global** in a \$235 million deal that will give the cannabis company a European footprint and strengthen its domestic business.

Sébastien St-Louis said the deal with Zenabis will help accelerate national and international growth. The acquisition would place Hexo firmly in the top three positions among licensed producers for sales of adult cannabis in Canada, according to the most recent interim quarterly financial statements.

Hexo stock is overvalued

While [Hexo's growth is impressive](#), it's preferable to wait before buying shares, because Hexo stock is overvalued, with a P/S of 12.34.

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