

Hexo Stock: Should Investors Buy As This Cannabis Player Expands Into Europe?

Description

Canadian legalization of cannabis has resulted in an absolute [boom in pot stocks](#) in recent years. Indeed, this past year has been no different. Canadian-listed cannabis stocks have more than doubled from March 2020 lows.

That's a great thing for cannabis investors looking for a move with tonnes of upside. However, some analysts believe these moves have resulted in cannabis valuations getting ahead of their valuations right now.

In Canada, there really are only two picks I'd invite investors to look at. **Hexo Corp** ([TSX:HEXO](#))(NYSE:HEXO) is my top pick as a domestic play on the Canadian cannabis market. However, **Curaleaf** (TSXV:CURA) is my top pick overall for investors in this space. This is the largest U.S. cannabis player, and is well positioned to take advantage of legalization south of the border.

However, Hexo does have some international appeal. Today I'm going to discuss why the company's recent move into Europe has some investors intrigued.

Hexo is a great domestic play

But first, let's start with the underlying thesis with this stock.

Hexo is a domestic play on cannabis and an excellent one at that. The firm is heavily focused on creating native supremacy, securing lucrative government contracts, primarily focused on regional markets the company has targeted for long-term growth. Among these, the company's home market of Quebec is appealing. It's one of the largest markets in Canada. Additionally, the Quebec government has shown an affinity for home-grown businesses. It's in the right place at the right time.

While Hexo doesn't have a meaningful existing footprint in the U.S, it's one of the best pure-play Canadian cannabis companies out there. I think investors also have an eye on the company's cannabis-infused beverage line. Indeed, cannabis 2.0 products will be the high-margin items investors want to focus on for profitable growth. Hexo is a top player in this space right now.

HEXO's move into Europe a big deal

Okay, now let's get to the Europe deal.

To establish a European foothold and strengthen its domestic business, HEXO announced the deal to buy Zenabis Global for a reported \$235 million. The company hopes this deal will not only boost its international presence, but also its bottom line.

Indeed, the company's financial position leaves something to be desired right now. Yes, revenue nearly doubled year-over-year last quarter. However, the company also booked a net loss of \$20.8 million. The European market has some pretty decent growth potential for Hexo, particularly given the company's higher-margin lines of business that could do very well there.

Accordingly, I think investors are rightly pricing in this optimism today.

CATEGORY

1. Cannabis Stocks
2. Investing

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1. growth
2. growth stocks
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TICKERS GLOBAL

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2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)

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