



## Uncertainty Looms After Hexo Reports Decent Earnings

### Description

**Hexo** ([TSX:HEXO](#))(NYSE:HEXO) is a company I think remains a great play on the domestic Canadian cannabis market. Hexo's recently reported decent earnings, and investors may be excited about its existing business.

However, its recent acquisitions paint a different picture.

It now appears this company is trying to push to become a global player. As it is currently still a relatively small player in the global cannabis space, this is a good thing. There's a race to the top, and Hexo seems willing to look at expanding in prudent ways.

That said, this space is a volatile one. Accordingly, it appears some investors feel there's too much uncertainty with this stock right now.

## Hexo's decent earnings call is worth a second look

Hexo's recent earnings certainly provide investors with what looks like pretty decent long-term upside. The company reported total net revenue of \$32.9 million this past quarter. This was up from \$17 million from the prior-year quarter.

That's some decent revenue growth.

Additionally, this past quarter marked the seventh consecutive quarter where the firm reported positive adjusted EBITDA. Not only that, but the firm also noted that non-beverage adult-use revenue increase by 6% amid growing beverage-based adult-use sales.

Net revenue of adult-use cannabis products also marked the fifth consecutive quarter of improvement. This has helped Hexo to maintain the lead market share position in Quebec's cannabis market. Revenue for the rest of Canada increased by 49%, signaling the company isn't just a tiny regional player any more.

These earnings are a testament to this company's long-term potential. Indeed, investors will continue to be looking at the company's high-margin products to see how profitable Hexo will be long term.

## Foreign growth a key for investors

While the earnings call paints a promising picture, investors seem to be worried about the company's global expansion potential. Hexo still isn't a company with direct access to the U.S. market like other Canadian-listed peers. Additionally, despite impressive revenue growth, this firm's financial position leaves something more to desire.

As of a month ago, Hexo had no real presence in the U.S. market. The firm has heavily focused on improving its foothold in the domestic market and is just starting to build its foreign brand strategy.

Hexo has placed its bets on Charles Bowman, who was recently inducted as the general manager of U.S. operations, and Rose Marie Gage, chair of director board. They are supposed to contribute with their extensive experience in operations to improve Hexo's market presence in the U.S.

However, until more progress is made, many investors may continue to sit on the sidelines.

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