



HEXO Stock (TSX:HEXO) Price: Will It Rebound?

Description

Cannabis stocks in general haven't been faring well over the last few years. After climbing to all-time highs, shares crashed after legalization back in 2018. There was a rebound to those prices at the beginning of 2021, with President Joe Biden promising decriminalization of marijuana. This led many to believe federal legalization was all but a certainty. But for **HEXO** ([TSX:HEXO](#))(NYSE:HEXO), the story has been even more dramatic. While some believe HEXO stock could be a major U.S. player, recent earnings would suggest something different.

What's happening with HEXO

Rather than give you an in-depth history lesson, let's just talk about where HEXO is today. HEXO stock seemed to be on a tear in 2021, actually. Shares rose 270% between September 2020 and February 2021. Of course, it came down during the cannabis pullback but remained at stronger levels than the fall before. That is, until recently.

Between June 2021 and to date, shares in HEXO stock have fallen like a stone. This really hit a new level at the end of August, when an after-hours announcement released to shareholders stated it would be issuing new shares in the "...context of the market." The company agreed to purchase 47,457,628 units at US\$2.95 each, raising US\$140 million. That's still far off from the \$700 million it hoped to raise before and well away from the previous \$1.2 billion it once filed.

So what gives? It looks like HEXO stock had stretched itself too thin when it came to making a slew of acquisitions. Redcan, 48North, and Zenabis are just some of the few the company has racked up. That's a lot of financial commitment at a time when the company isn't seeing much from cannabis sales.

Cash needed!

During the latest earnings report, HEXO stock reported total net sales were down 2% year over year. Yet the company continues to be the number one choice for cannabis beverages, so that's something,

though sales were down \$10.2 million. New cannabis beverage products continue to be introduced, with management confident that Canadians will "...embrace cannabis beverages throughout the summer of 2021 and beyond." But of course, that's merely speculative.

And that speculation won't pay the bills, hence the move on the market for new shares. But these new [acquisitions](#) hopefully will. Redcan should bring in a 146% increase in revenue for fiscal 2021, and it along with 48North recently closed. The company is also transferred over to the **NASDAQ** in order to save cash as well.

Should you buy?

Now comes the real question. HEXO stock has set itself up with some strong acquisitions to take advantage of U.S. legalization when it happens. And it *will* happen eventually. But whether HEXO stock will be around to see it is the question. The company has stretched itself incredibly thin, at levels it may not be able to come back from. And that's due to shareholder confidence as much as anything else.

Shares are down 39% year to date and 41% in the last month alone. So unless these acquisitions pull a miraculous rabbit out of a hat, it doesn't look like HEXO stock is going to rise back up to all-time highs [any time soon](#). Investors would instead be advised to sit on the sidelines for now until some good news comes the cannabis company's way.

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