



## Why Hexo Stock Soared 18% on Thursday

### Description

**Hexo** ([TSX:HEXO](#))([NASDAQ:HEXO](#)) shares soared 18% on Thursday from market close the day before after a strategic partnership with **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)) was announced.

### What happened?

Hexo stock jumped 18% with the news that Tilray would buy up to US\$211 million of the cannabis company's debt. Once its rival Tilray would have the opportunity to have a major stake in the cannabis [producer](#). After years of financial trouble, the terms give Hexo stock far more favourable debt-repayment options.

In the deal, Hexo stock provides Tilray stock with \$20 million in interest payments for the first year, with about \$0.04 per share on future earnings. This would give them \$50 million in cost savings shared with Hexo. The deal would reach completion in the next two years. The notes would be purchased at \$0.90 per share. Hexo currently trades at \$0.80 as of writing.

### So what?

This comes as Hexo stock continues to go through a massive shakeup. Last month, it saw the departure of several board members over share price concerns. This came down to not having enough cash on hand to pay down debt, leading many investors to wonder when profit could ever be made.

With the new deal, Tilray stock saved Hexo stock from its uncertain financial [future](#), and now has a major stake for any growth potential. As a low-cost cannabis producer, the company's growth initiatives are exactly what Tilray wants, according to Chief Executive Officer Irwin D. Simon.

More news from Hexo announced that the company also has a renewed agreement with KAOS Capital for a \$180 million equity backstop in the company. It now has a "newly strengthened balance sheet" that will remain covered in the future.

## Now what?

That's the big question. Will Hexo stock be able to renew its focus on those growth initiatives with the debt out of the way? That seems to be the case. And if Tilray stock purchased the shares at \$0.90, that means it likely believes the stock will surpass \$1 in the next year or so.

So, what's next for Hexo stock? Hopefully, investors will soon hear about all these growth initiatives we've been promised for months now. If so, this could be a stock that easily doubles in the next year.

Shares of Hexo stock are up 10% as of writing, with Tilray stock down 3%.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:HEXO (HEXO Corp.)
2. NASDAQ:TLRY (Tilray)
3. TSX:HEXO (HEXO Corp.)
4. TSX:TLRY (Aphria)

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