



Hexo Stock Jumps 10% on Definitive Tilray Deal

Description

Hexo ([TSX:HEXO](#))([NASDAQ:HEXO](#)) stock jumped 10% on Monday, as **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)) announced it signed a definitive agreement to acquire the cannabis company.

What happened?

The deal, announced earlier last month, will allow Tilray stock to [acquire](#) US\$193 million of Hexo's outstanding senior secured convertible notes. The notes would be priced at \$0.85 per share, which gives Tilray the right to a 35% stake in Hexo.

It's change from the earlier announcement, where Tilray stock would acquire US\$211 million in notes at \$0.90 per share. Furthermore, Hexo stock will not receive any proceeds from the purchase.

So what?

It's different than a straight acquisition of a company, as the deal forms a joint venture. Here, they will create shared services for both companies. This will create combined savings of about US\$80 million over two years, according to a statement by Tilray stock.

Meanwhile, despite no proceeds, Hexo can start fresh with positive cash flow over the next year. That allowed Hexo stock to create a \$180 million backstop towards its growth strategy. This was put on pause until the company could reduce its debt, which is now out of the way.

Now what?

The growth strategy outlined by Hexo stock in its Path Forward strategic growth plan. The plan is for Hexo to reduce expenses by 30% through to 2023. By fiscal 2022, the company would like to generate cash flow of about \$37.5 million, and \$135 million by 2023. This should come from cost reductions and revenue [growth](#).

The deal couldn't come at a better time, with Hexo stock reporting a huge loss during its last earnings report. This joint venture will allow the company to remain in control of its "path forward," while still working with Tilray stock to provide a deal on items such as consumables.

Hexo stock was up 1.5% on Tuesday, with Tilray stock up 1%.

CATEGORY

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

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