

Hexo Corporation

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Roth Capital Partners maintains Buy rating, \$10 price target for cannabis company Hexo Corp

Roth Capital Partners on Friday maintained its Buy rating and \$10 price target for Hexo Corp (TSE:HEXO)(NYSEAMERICAN:HEXO), a day after the Canadian cannabis company reported fiscal third-quarter results.

But Analyst Scott Fortune lowered his revenue and earnings forecasts for Hexo, calling the company's 3Q earnings "soft."

Hexo, based in Gatineau, Quebec, reported net revenue of US\$13 million, while Fortune expected US\$15.7 million. The company also missed on adjusted gross profit — US\$6.4 million versus an expected US\$7.5 million.

READ: HEXO sees huge revenue jump in the third quarter but still misses estimates

As a result, Fortune wrote that he's reducing his fiscal year 2019 revenue forecast by US\$4.2 million to US\$59.6 million, while maintaining his fiscal year 2020 forecast for US\$63.8 million in revenue.

Despite lowering his revenue forecast, Fortune remains optimistic that Hexo "will gain market share in becoming a large tier" licensed producer.

"Although soft quarterly results, management reiterated FY20 guidance of \$400M revenues and remains committed to break even in the FY20 timeframe," he wrote.

Fortune noted that Hexo should benefit from entering the US market (eight states) with its CBD products and vape sales as well as increase annual production of cannabis up to 150,000 kilograms, "which justifies the doubling in revenue guidance in our opinion."

CIBC downgrade

In related news, according to the Fly, CIBC Capital Markets analyst John Zamparo downgraded Hexo to Neutral from Outperformer, saying he doubts the company can achieve US\$400 million in revenue in fiscal 2020.

He lowered his price target to C\$8.50 from C\$9.50

Hexo's stock recently traded down 4.2% to US\$5.65 a share on the NYSE and fell 3.1% to C\$7.57 in Toronto.

Within the last 12 months, ROTH has received compensation for investment-banking services from Hexo.

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Price: 2.24

Market Cap: \$575.72 m

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: HEXO

Listing: NYSE

52 week	High	Low
	8.39	1.56

Sector: Cannabis

Website:

Company Synopsis:

Canadian cannabis market.

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