



Has the Tilray Inc. (NASDAQ:TLRY) Bubble Burst?

Description

Last week, **Tilray Inc** ([NASDAQ:TLRY](#)) was on an epic bull run. The Nanaimo-based company with scant revenues and a soaring stock price cruised past **Canopy Growth Corp** ([TSX:WEED](#)) (NYSE:CGC) to become the largest pot stock in the world by market cap. Since then, the stock—which reached as high as \$263—has taken a massive tumble. It was down over 50% at just \$123 by Friday.

Was Tilray a quickly-bursting bubble, or is this stock destined to be the king of the cannabis landscape?

My position is that Tilray probably won't be reclaiming the "top pot stock" crown anytime soon. To explain the reason, we need to look at the company's revenues, earnings and financial position.

Scant revenues

One thing that made analysts scratch their heads when Tilray shot to the stratosphere last week was the company's revenue picture. Simply put, the company was not pulling in more revenue than any of its competitors.

In fact, it lagged behind Canopy significantly in this regard. Whereas Canopy pulled in over \$70 million in the most recent fiscal year, Tilray brought in just \$20 million. True, Tilray has been experiencing higher revenue growth at 95% year-over year (compared to 63% for Canopy).

However, Tilray would need to keep this up for many years to compete with Canopy on revenue.

Earnings

Of course, there's always the possibility that Tilray beats Canopy on earnings (i.e., spends money more efficiently to turn bigger profits with the revenue it does earn.) Unfortunately for Tilray investors, that's not really the case.

The truth is that neither Canopy nor Tilray has yet posted positive bottom-line earnings. In the most recent fiscal year, Tilray lost [\\$7 million](#) (net income) on revenues of \$20.5 million.

This is technically a smaller pound-for-pound loss than Canopy posted, but with both of these stocks losing money and investing in future growth, net income isn't the metric most investors are looking at when analyzing them.

M&A activity and partnerships

Another big factor that's driving up cannabis stocks is M&A activity and deals. Many cannabis companies have announced deals with alcoholic beverage makers, with an eye toward eventually developing cannabis-infused beverages.

This is a product category that many beer-makers have their eye on, and it has the potential to become more lucrative than the relatively commodified products that cannabis companies already sell.

Some companies, like Canopy, have received substantial investments as part of their deals with alcoholic beverage makers. Others, like **Hexo Corp**, have launched joint ventures with their partners.

Either way, Tilray is definitely not the big winner in the cannabis/booze M&A sweepstakes. That title goes to Canopy, which recently received a [\\$5 billion investment](#) from **Constellation Brands Inc.**

While Tilray is itself backed by a larger investor, Peter Thiel's Privateer Holdings Ltd., that company was involved with Tilray before it was publicly traded. Since Tilray's IPO, there have been no major M&A announcements or joint ventures involving the company.

CATEGORY

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2. NASDAQ:TLRY (Tilray)
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Author

andrewbutton

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