Whatever Happened to Tilray (NASDAQ:TLRY)?

Description

Tilray Inc (NASDAQ:TLRY) was one of the stars of last year's marijuana madness. During the rally kicked off by **Canopy Growth Corp's** (TSX:WEED)(NYSE:CGC) $5 billion acquisition, Tilray actually briefly eclipsed Canopy itself, going on a 750% rally that sent its market cap to unprecedented levels. At the time, there was a lot of hype surrounding the company, a recent IPO that had the blessing of some high-profile Silicon Valley venture capitalists.

Since then, the shine has come off this once venerable marijuana stock. Down 29% year-to-date, it has not only failed to rise, but actually tanked during the early 2019 marijuana stock rally. While the marijuana sector is full of boom and bust stories, Tilray's has been more pronounced than most. To understand why that is, we need to look at the reasons investors have turned away from this once popular stock.

A series of high-profile earnings misses

In the last few quarters, Tilray has repeatedly failed to hit analysts' earnings estimates. In Q4, it missed by $0.17 per share; in Q2 and Q3 it missed by $0.08. The company will be releasing its Q1 quarterly report tomorrow, so we'll have to see whether it can buck this trend. So far, though, Tilray's failure to meet expectations has not inspired investor confidence.

Mounting net losses

That Tilray is missing on earnings is a concern in itself — and what's even more concerning is that it's not only under-performing, but actually *losing* money. In its most recent quarter, the company lost $67 million on revenues of $43 million, meaning its loss as a percentage of revenue was extremely high. While it's normal for companies to lose money when they're still not a year out from their IPO, one of the main reasons for Tilray's huge loss is a little concerning to say the least.

Stock-based compensation: almost half of revenue!

In Q4, Tilray reported share-based compensation of $21 million, up from $0.1 million in the same quarter a year before. The fact that this is a 21000% year-over-year increase is alarming in itself. More concerning, though, is the fact that this is almost half of the company's revenue for the period.

It's normal for early stage growth companies to pay executives and employees in stock, but this level of compensation on just $43 million in revenue raises questions about the company's dedication to its shareholders–particularly given that the growth in this expense area absolutely dwarfs the company's year-over-year revenue growth.

Foolish takeaway

Right now, Tilray is still too young and unproven a company to make long-term predictions. The fact that it has fallen out of the limelight is in itself reason to doubt that it will go on another mega-rally anytime soon.

If you're looking for a marijuana stock to invest in, Canopy Growth is probably a better bet than Tilray. With a stronger growth rate, slimming operating losses and growing net profits, it has a lot going for it. Canopy also has much better and more enduring name recognition than Tilray, which ensures publicity that could drive future gains.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:TLRY (Tilray)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks

2. Investing

Tags

1. Cannabis

Date
2025/08/27
Date Created
2019/05/13
Author
andrewbutton