



Meet the World's Largest Cannabis Company

Description

This year has been a relatively hot one for big deals in every sector. Indeed, the cannabis sector has been no exception.

The recent [merger](#) of **Tilray** ([NASDAQ:TLRY](#)) and Aphria is one that's made a lot of headlines of late. And for good reason.

Let's delve into the details of the founding of Canada's largest pot company and what it means for long-term players.

A merger to look out for

Aphria and Tilray are en route to creating the largest cannabis company in the world in terms of sales.

A nod from shareholders of both parties moved this deal one step closer. The newly formed company is set to operate under the name of Tilray, while Aphria has a 62% ownership of the combined entity.

Pooling resources significantly increases the chances of both company's success in a growing industry. Aphria shareholders will get 0.8381 of Tilray share per Aphria share. Aphria's shareholders gave the green light to this merger on April 14. A total of 99.38% of investors present in the meeting voted for reverse acquisition.

In terms of production quantity and revenue from pot sales, Aphria is way ahead of Tilray. Aphria's total revenue stands at \$600 million, while that of Tilray is \$200 million. However, Tilray reported a net loss of \$330 million and Aphria suffered a net loss of \$585 million in 2020.

Why is this a big deal?

Substantial competition in the cannabis space is requiring companies to consider how to get larger. Consolidation is one of the key ways companies are looking to grow right now.

Both companies have had their eye on expanding past the Canadian market for some time. The hope is that this larger entity will have a better shot of penetrating the U.S. market when the time comes. While U.S. multi-state operators currently have the lead, investors are likely to focus on companies with the best shot of global growth. Tilray's new value proposition may therefore be enticing to investors looking at cannabis stocks for the first time.

The combined entity hopes to save approximately \$100 million a year via the completion of this deal. As cannabis players search for profitability, this will be a big deal if synergies can be realized.

Bottom line

The Tilray-Aphria merger is one I think investors in the cannabis space need to watch closely. If the company is able to make strides forward into the U.S. market and improve its bottom line, this stock could take off.

However, being bigger doesn't necessarily mean this stock will be better. Time will ultimately tell how this mega cannabis player will do.

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Date

2025/08/12

Date Created

2021/05/22

Author

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