Should You Buy Tilray (TSX:TLRY) After Its Mixed Fourth-Quarter Performance?

Description

Yesterday, **Tilray** (TSX:TLRY)(NASDAQ:TLRY) reported a mixed fourth-quarter performance. Its top-line came in at $142.2 million, marginally lower than analysts' expectation of $142.93 million. However, its EPS stood at $0.18 per share, well above analysts' expectations of $0.08 loss per share.

Besides, the company's adjusted EBITDA and cash flow improved year-over-year. Along with these positive numbers, the company's optimistic outlook led Tilray's stock price to rise to over 25% yesterday.

Tilray's strong performance also boosted its peers' stock prices yesterday. Meanwhile, should investors buy Tilray at these levels? Let's first look at its fourth-quarter performance and growth prospects in more detail.

Tilray's fourth-quarter performance

Year-over-year, Tilray's revenue grew 25% in the fourth quarter. The 36% growth in its net cannabis revenue, including four weeks of contribution from the legacy-Tilray, and revenue from SweetWater and Manitoba Harvest drove its revenue. However, the decline in its distribution revenue offset some of the increases.

The company's gross profit declined by 19%, mainly due to an inventory valuation adjustment of $19.9 million. However, removing the one-time expenses, its adjusted gross profit grew 53% to $42.4 million. Further, its net profits came in at $33.6 million compared to a net loss of $84.3 million in the previous year's quarter.

Besides, the company also delivered on its earlier stated commitment of posting positive cash flows by the end of fiscal 2021 by reporting free cash flows of $3.3 million in the fourth quarter.

Further, the company also raised around $120 million through various debt facilities to close thequarter with $488 million of cash and cash equivalents. So, given its strong financial position, thecompany is well-equipped to fund its growth initiatives.

Tilray's growth prospects

Aphria had a significant presence in the flower, pre-rolls, Cannabis 2.0 products, and vapes segments. Meanwhile, the merger with Tilray has expanded its presence in the edibles and beverage segments as well. Overall, the combined entity has a 16% market share in the Canadian retail space. However, the company is working on expanding its share to 30% by the end of 2024.

Moving to medical cannabis, the company recently launched a new brand Symbios, which could complement its existing brands, Aphria, Broken Coast, and Tilray products. The new brand would expand Tlray's product offerings, providing patients with a full assortment of products. Besides, the company recently launched high-potency medical topicals under the Aphria brand, targeting patients with various needs.

The European Union offers solid growth prospects in the international markets, with $1 billion business from medical cannabis alone. With its solid distribution network in Germany and the end-to-end European Union GMP supply chain, the company is well-equipped to expand its business in the region. Currently, the company focuses on developing its presence in Poland, Italy, the U.K., France, the Netherlands, and Israel.

In the United States, the company has a strong presence in the consumer packaged segment, supported by its two strong business verticles, SweetWater and Manitoba Harvest. Further, the legalization of cannabis at the federal level could be a significant growth driver. Given these growth prospects, Tilray's management expects its revenue to reach $4 billion by 2024.

Bottom line

Despite yesterday's surge, Tilray still trades at a significant discount from its February highs. So, given its high-growth prospects and favourable market conditions, I believe the company could deliver superior returns over the next three years.

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