Should You Buy Tilray (TSX:TLRY) After its 1st-Quarter Performance?

Description

Yesterday, **Tilray** (TSX:TLRY)(NASDAQ:TLRY) posted mixed first-quarter performance, with its revenue falling below expectations, while its net loss per share was in line with expectations. However, the company's revenue and adjusted EBITDA grew significantly year over year, which appears to have increased investors' confidence, driving Tilray's stock price higher.

Yesterday, the company's stock price moved to a high of $14.31 before closing at $13.80, representing a rise of 1.5%. Meanwhile, the company still trades over 80% lower from its February highs. So, let's assess whether Tilray is a good buy at these levels. First, let's look at its first-quarter performance in detail.

Tilray's first-quarter performance

Tilray's revenue grew 43% on a year-over-year basis to US$168 million amid strong performance from its cannabis segment and contributions from the acquisition of SweetWater and Manitoba Harvest. Meanwhile, the COVID-related headwinds had offset some of the revenue growth. The company's gross profits increased by 46% amid top-line growth. Meanwhile, the adjusted gross margin for the cannabis segment declined from 50% to 43% amid a shift in sales mix towards Tilray brand products, which incur higher brewing expenses.

Moving to its adjusted EBITDA, Tilray has posted a positive adjusted EBITDA for the 10th consecutive quarter. Its adjusted EBITDA increased by 58% from the previous year's quarter to US$12.7 million. Meanwhile, the company's SG&A expenses increased due to the costs associated with its recent acquisitions. Its net losses also increased from US$21.74 million to US$34.6 million. However, its cash burn improved from US$70.1 million to US$61.2 million. Meanwhile, with its liquidity standing at US$376 million as of August 31, Tilray is well equipped to fund its growth initiative. Let's look at its growth prospects.

Tilray's growth prospects

Tilray’s management hopes to reach US$4 billion in revenue by 2024, which includes expanding its market share in the Canadian recreational cannabis space to 30%. Meanwhile, the company plans to launch new innovative cannabis 2.0 products across concentrates, edibles, drinks, and medical, and wellness categories and boost its distribution across the country to drive its sales.

In the international market, Tilray’s management estimates the E.U. alone offers US$1 billion of business. So, given its E.U. GMP-certified production facilities in Portugal and Germany and a solid distribution network in Germany, the company could strengthen its position in the market. Meanwhile, in the United States, the company has a significant presence with its two strategic pillars: SweetWater and Manitoba Harvest. The company has also acquired warrants of MedMen, which will allow it to acquire a significant stake in MedMen as soon as the U.S. federal government legalizes cannabis.

So, Tilray is well equipped to benefit from the expanding cannabis market amid the opening of new cannabis stores in Canada, increased legalization, and rising usage of cannabis for various medical purposes. Further, the cost synergies between Tilray and Aphria could deliver US$80 million in savings, thus aiding the company to move towards profitability.

Bottom line

Given the weakness in the cannabis space, I expect Tilray to be volatile in the near term. However, long-term investors can accumulate the stock to earn superior returns, given its healthy growth prospects. Meanwhile, out of 18 analysts following the company, 14 have issued a “hold” rating. Notably, analysts’ consensus price target stands at $26.94, representing a 12-month return potential of 58.6%.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:TLRY (Tilray)
2. TSX:TLRY (Aphria)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. rnanjapla

Category

1. Cannabis Stocks
2. Investing

Date
2025/08/18
Date Created
2021/10/08
Author
rnanjapla