



Why Tilray Stock Rallied After its Q3 Results

Description

What happened?

The shares of **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)) rose sharply on Wednesday after the company announced the results for Q3 of its fiscal year 2022. During the intraday trading, the **TSX**-listed [TLRY stock](#) jumped by about 16% yesterday before paring some of the gains in the latter half of the session, as the broader market selloff intensified.

So what?

In the third quarter ended in February 2022, Tilray registered 23% YoY (year-over-year) positive growth in its total revenue to around US\$151.9 million. However, its latest quarterly revenue figure missed analysts' estimate of US\$156.8 million by a narrow margin. While its cannabis segment revenue jumped by 32% YoY, the company registered solid 64% growth in its beverage alcohol revenue. In addition, Tilray's international market cannabis revenue saw a massive increase.

Despite its lower-than-expected revenue, the cannabis giant pleasantly surprised investors by reporting a second consecutive profitable quarter. Tilray's Q3 adjusted earnings stood at around US\$0.09 per share against Street's expectation of US\$0.08-per-share loss. The company [cited](#) a reduction in its "assessment of the contingent consideration owed on the SweetWater transaction" as one of the factors that impacted its profits in the February quarter. These factors seemingly helped the company regain investors' confidence, triggering a rally in TLRY stock price.

Now what?

Currency headwinds stole about US\$7 million from Tilray's distribution segment revenue in the last quarter as the euro continues to weaken against the U.S. dollar. Apart from this temporary negative factor, Tilray's latest quarterly financial results largely reflected strong positive growth.

After the completion of the Aphria-Tilray merger in May 2021, Tilray has achieved nearly US\$76 million in cost synergies. By the end of May 2022, the company expects to reach its goal of achieving US\$80 million Synergy — way ahead of schedule. Also, a massive recent rise in its international market revenue reflects optimism for Tilray's long-term business growth.

Given these positive developments, long-term investors may consider buying TLRY stock right now. Despite yesterday's sharp rally, Tilray stock continues to underperform the main Canadian market gauge, as it's trading with only 2% year-to-date gains.

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