



## Why Tilray Will Be the First Cannabis Stock to Bounce Back

### Description

**Tilray** ([TSX:TLRY](#)) stock continues to trade at or near 52-week lows with the drop in the broader market. Riskier companies continue to be volatile, and cannabis stocks certainly fall in that territory. But Tilray shares won't stay down forever.

In fact, one could argue it could be the first cannabis stock to bounce back.

### Buying power

After Tilray started turning a profit, it's been the leader in buying major cannabis brands. Its biggest purchase was Aphria. The companies joined forces and moved forward under the Tilray brand name.

Recently, Tilray agreed to buy up **Hexo's** ([TSX:HEXO](#)) debt. The deal allows Tilray to create cost-saving synergies of what it estimates could be up to US\$80 million. The partnership also allows Tilray to have an investment in Hexo stock, furthering its growth plan.

Tilray now has a large share of both the United States and Canadian markets, never mind having its foot in the door around the world as well. Should it continue buying up major brands, the company could be the leader among [cannabis stocks](#).

### Continued profitability

Probably the most impressive thing about Tilray is its continued profitability. It made a profit and hasn't looked back, even as it makes acquisitions. Management seems to be able to identify profitable revenue streams within the cannabis sector that others companies simply haven't held onto.

During its latest earnings report, Tilray reported net income of US\$52.5 million and adjusted EBITDA of US\$10.1 million. This was the 12th consecutive quarter of positive adjusted EBITDA. Revenue increased 23% year over year, with profit up 31% from the prior quarter alone.

It is the leader in medical cannabis in Germany, and its international revenue was up more than 4,000% percent. Tilray also has held onto the top market share in Canada, even as competition increases.

## Yet shares are down

Tilray stock continues to drop, despite all this good news. Although its share of the market has slipped slightly, it still holds onto the top position, so the sagging share price can probably be blamed on market volatility.

But there will eventually be a rebound, with investors returning to growth industries such as cannabis. This could cause shares of Tilray to explode overnight. In fact, the company might even become identified by meme investors once more, especially given its market share, profitability, and footprint.

As of now, shares are down 38% year to date. It trades for 12.25 times earnings and 0.50 times book value. Analysts are wary to provide future targets for the company, but if shares ever return to the previous 52-week high, that could represent 390% upside as of writing.

## Bottom line

Other cannabis companies simply don't have the profitability and the means to make acquisitions. As the cannabis market recovers, Tilray should therefore be one of the first to rebound based on its diversified portfolio — all while holding onto the top spot in the Canadian market.

### CATEGORY

1. Cannabis Stocks
2. Investing

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