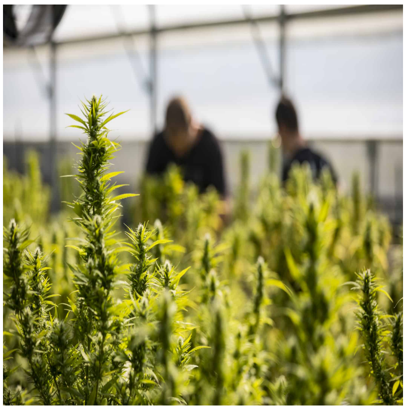

Tilray Stock Fell 7% in November: Is it a Buy Today?

Description

Amid the indication by the U.S. Federal Reserve of smaller interest rate hikes in the coming months, the **S&P/TSX Composite Index** rose 5.3% in November. The improvement in investors' sentiments failed to boost **Tilray Brands** (NASDAQ:TLRY), which lost over 7% of its stock value last month.

However, last week, Joe Biden, the president of the United States, signed the Medical Marijuana and Cannabidiol Research Expansion Act, which would facilitate individuals to carry out research on cannabis for medical purposes. Amid the favourable development, Tilray's stock price increased by over 20% this month. Despite the surge, the company trades around 29% lower for this year.

So, is it the right time to enter the stock? Let's first look at its recent quarterly performance and growth prospects.

Tilray's first-quarter performance

In the first quarter of fiscal 2023, which ended on August 31, Tilray reported revenue of US$153.2 million, representing an 8.8% decline from the previous year's quarter. The decrease in the revenue from its cannabis and distribution businesses dragged its revenue down. Meanwhile, it witnessed a steep decline in its revenue from medical, recreational, and wholesale cannabis segments. The market disruptions and macroeconomic challenges led to lower sales.

Meanwhile, Tilray achieved an annualized cost savings of US$108 million since the closing of the Tilray-Aphria merger in May 2021. Supported by its cost-savings program, the company has delivered adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) of US$13.5 million, representing the 14th consecutive quarter of positive EBITDA. Its cash utilization declined from around US$93.2 million in the previous year's quarter to US$46.3 million — a substantial improvement. Its balance sheet looks healthy, with cash and cash equivalents of US$490.6 million by the end of the quarter.

Tilray’s growth prospects

Legalizing cannabis usage, primarily in the United States and the European Union, could be a substantial growth driver for Tilray. 19 U.S. states have legalized cannabis for recreational purposes, while Maryland and Missouri have also voted to legalize recreational cannabis. Amid the expansion, BDS Analytics projects legal cannabis sales to reach US$46 billion in 2026, representing an annualized growth rate of 14%.

Meanwhile, Tilray had struck a US$165.8 million deal with MedMen, a multi-state operator in the United States. This transaction allows Tilray to convert the debt into equity once the federal government legalizes cannabis, thus allowing the company to quickly expand its footprint in the United States. It acquired Montauk Brewing earlier this month, which could strengthen its distribution network in the country.

In the international market, Tilray already has a substantial presence in the German medical cannabis market through its subsidiary. This strong presence and infrastructure could allow the company to expand its presence across the European Union. The German government is hopeful of legalizing recreational cannabis by 2024, thus offering excellent growth prospects for the company.

Bottom line

Despite the volatility, the cannabis sector offers high growth prospects in the long term, given the growing support for legalization. So, I believe investors with higher risk tolerance should look to accumulate Tilray in smaller quantities to earn superior returns over the next three to five years.

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