



Is Tilray Stock a Buy in January 2023?

Description

Cannabis stocks had yet another terrible year in 2022. That was quite evident. The industry has grappled with serious structural challenges with no near-term solution. US legalization could bring a big respite for the sector as the move will open significant growth opportunities. However, the industry has been unlucky on that front so far.

Why TLRY stock halved last year

One of the biggest pot stocks, **Tilray** ([TSX:TLRY](#)) lost 50% of its value in the last 12 months, in line with its peers. And not just last year. Cannabis stocks have been losing value for the last several years. Poor financial growth amid saturated markets has been a key concern even for established players.

Tilray is a \$2.4 billion cannabis-lifestyle and consumer packaged goods company that operates in Canada, the US, Europe, Latin America, and Australia. The cannabis industry in Europe offers huge growth prospects as countries there are at various stages of legalization.

Tilray operates within four key verticals, the first being the cannabis segment, which contributes 43% to its revenues. It takes care of the cultivation and production of both adult-use and medical-use cannabis. The Distribution segment deals with the purchase and resale of pharmaceutical and wellness products.

The Beverage alcohol business – operating the production, sales and marketing of the alcohol business –brought in 11% of the total sales in 2022. The Wellness business deals with hemp-based food and other wellness products and contributes 9% to the total revenues.

The alcohol beverage segment has seen some strong growth in the last few years and will likely be the major growth driver.

Financial growth and growth prospects

Tilray reported total revenues of \$628 million for the fiscal year that ended on May 2022. That was a decent 26% increase compared to the previous year. On the contrary, many pot companies have seen declining topline growth in the last few years.

On the bottom-line front, Tilray continues to remain a loss-making venture. For the fiscal year that ended in May 2022, it reported a \$477 million net loss, expanding from \$367 million in the previous fiscal year. It has \$490.6 million in cash and cash equivalents as of August 2022 and looks well capitalized.

However, Tilray looks well placed for the future compared to its peers. It caters to geographically diversified areas with its differentiated product base, which gives it an important edge over other established companies.

Cannabis stock rebound

Cannabis investors have been burned badly in the last few years due to massive drawdowns. Notably, TLRY shares are currently trading close to four times sales and do not look [too expensive](#). However, despite the steep correction, we might not see an immediate recovery in cannabis stocks. That's because of their unending challenges.

TLRY stock could outperform in the long term, but it remains a risky bet. Its large price swings amid financial and regulatory uncertainty might keep conservative investors at bay. But if you have the stomach for its high volatility, you might reap [outsized gains](#) in the years to come.

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