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Tilray Potential?

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What is Tilray's potential in the global cannabis market? The company's shares skyrocketed with their recent acquisition of eight beer and beverage brands from Anheuser-Busch InBev.

But how much of Tilray's potential is real growth versus hype? We've seen grand predictions from licensed cannabis producers before.

Canopy, for example, is trading 99% below all-time highs. And remember when Aurora said they'd supply a third of all Canadian cannabis?

But what about Tilray? Does Tilray have the potential to succeed where other LPs have failed?

CLN talked to Jason Wilson, cannabis research and banking expert at ETF Managers Group (ETFMG), on the ETFMG Alternative Harvest ETF, MJ, to provide insight into Tilray's potential.

Tilray Potential as a CPG Company

According to Jason, Tilray's beer acquisition is part of their strategy to become a cannabis-focused CPG company.

CPG stands for consumer packaged goods. CPG companies typically produce goods with a short lifespan on a large scale, which they then sell to retailers.

"Tilray a while ago took this asset light approach to things and started focusing on how to maintain a sustainable business instead of having to rely on legalization in the US and other jurisdictions globally," says Jason.

"And even in Canada, they really focus on 'what can we do now,' 'how can we build our brand,' 'how can we build our distribution now,' and make money doing so. Of all the global cannabis producers, they've by far done the best job at that."

Tilray's potential comes from how they're expanding beyond cannabis. They now focus on pharmaceutical distribution in Europe, alcohol in the US, and wellness products globally.

These aren't just random businesses to get involved in. Tilray's potential is in distribution.

Says Jason,

> When you look at the US market and what's happening, from a regulatory perspective, it makes a lot of sense to go into the craft beer space, go into the distillery space and build these brands where you're probably going to have significant distribution synergies when THC-based products become federally legal. And that should put them at a pretty significant advantage.

Tilray Potential Thanks to CEO

Jason credits Tilray's potential to Irwin Simon, the company's Chairman, President and CEO.

"To sit there and be the CEO of a company and say, 'hey, I have to plan my whole business around something I have no control over.' He didn't seem to be too keen on that," says Jason.

And indeed, Simon wrote in a letter to shareholders that Tilray would become a leading US CPG company. This vision would allow them to leverage their infrastructure when federal legalization occurs. So Tilray will be able to get their products into stores immediately.

"In Europe," says Jason, "it's very similar. Instead of focusing on the alcohol segment, they're more looking at the medical side of things."

Is the non-profit approach to German legalization a drawback? "Not a problem at all for Tilray," says Jason.

He credits Tilray's potential in Europe to their pharmaceutical distribution business. "They see Germany as a business opportunity on the medical side," he says.

> They have processing over there. They have distribution networks over there. And even though recreational legalization has been dialed back, obviously, that could come later. But they're not going to build their whole European business plan on stuff coming later, they're looking at what they could do now medical side.

What about Others?

Tilray's potential as a CPG company stems from its American and European infrastructure. When legalization comes, they can tap into another profitable distribution network.

So why aren't other producers following suit?

Canopy has a relationship with Constellation Brands. But last year, Constellation announced plans to transition their common shares into exchangeable shares to "eliminate the impact to our equity in earnings, mitigate risk to our organization, and further reinforce our intent to not deploy additional investment in Canopy."

Likewise, Aurora Cannabis is in no position to expand like Tilray. They already went on an acquisition spending spree, and it's ending badly.

As for U.S.-based cannabis operators? "It's much more difficult," says Jason.

> Their revenues are great, but it's hard for them to operate as it is. So I think to expand into different businesses like Tilray would be incredibly challenging for them. Everything they do would be somewhat tainted, if you will, from the illegal cannabis aspect and banking and everything else.

Jason suggests they keep focusing on making money while waiting for regulatory changes. In the meantime, Tilray's potential continues to outshine its Canadian peers and future U.S.-based competitors.