



## 3 Reasons to Buy This High-Flying Marijuana Stock

### Description

While the conversation around which pot stock provides the best long-term potential often revolves around a few chosen ones, there are many other marijuana companies to consider. Case in point: **OrganiGram Holdings Inc** (TSXV:OGI)([NASDAQ:OGI](#)) has performed better on the stock market year to date than many of the most popular marijuana stocks. Indeed, this doesn't seem to be a fluke; the pot firm is an exciting prospect for a variety of reasons. Let's consider three.

### Efficient operations

One of the most important things marijuana companies can do to be competitive is to produce massive amounts of their products. That's why much of the money spent by pot companies so far has gone into increasing their production capacity.

There are already a few firms that are projected to be head and shoulders above the others in this key area once all is said and done, and a few others that break the 100,000 kilograms per year barrier. OrganiGram is in the latter group and should be in the top 10 in this category.

However, high production rates aren't enough. Companies that manage to incur low production costs will have an advantage. According to OrganiGram, it has the "lowest cost of cultivation of publicly reporting Canadian LPs driving industry-leading adjusted gross margin."

Indeed, the company's margins are outstanding. OrganiGram's net profit margin for the past 12 months of operations is about 95%, a figure that easily beats that of any of its competitors. Yes, that means OrganiGram is profitable, though not on a consistent basis. Still, the firm recorded a net income of \$20,513,000 last year.

### Supply agreements

In the race to the top among Canadian marijuana companies, supply agreements with provinces has proven to be another important factor. However, only four companies have managed to sign some sort of deal with each of the 10 provinces. These include **Aphria**

**Inc** (TSX:APHA) (NYSE:APHA), **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC), and **CannTrust Holdings** (TSX:CT)(NYSE:CTST).

OrganiGram rounds up this list. To be clear, the firm has supply agreements with nine of the 10 provinces and is currently in the process of finalizing its deal with Quebec (it has a signed letter of intent from the relevant authorities). Thus, OrganiGram acquiring that agreement is simply a matter of time.

## The upcoming edibles market

While it's now legal to buy pot in Canada, cannabis-infused foods and drinks are still banned. Not to worry, though, as Canada is set to legalize these uses sometime before the end of the year, which should open up a new world of opportunities for marijuana companies. According to the famous financial services firm **Deloitte**, the market for cannabis-infused products could be worth some \$2.7 billion, with edibles accounting for about half of that.

It is always wise to take such predictions with a grain of salt, but that edibles and other derivative cannabis products will be important markets for marijuana companies can't be denied. OrganiGram seems well positioned to [benefit](#) from this new development.

The company has a partnership with Canada's Smartest Kitchen to develop premium chocolate products. Further, OrganiGram has a consulting agreement with U.S.-based The Green Solution (TGS) to develop state-of-the-art derivative products.

## Should you buy?

There are more reasons why OrganiGram is an interesting option for investors. For instance, the company is currently trading at "just" 26 times past and 32 times future earnings. While those may seem like very high figures, they're actually a bargain by industry standards.

The firm also has an international presence, although not as strong as some of its competitors. All things considered, OrganiGram's mix of low production cost, high-margins, strong domestic distribution channels, and the ability to profit from derivative markets is enticing.

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