



Latest Developments Highlight Why It's Time to Buy PharmaCielo (TSXV:PCLO)

Description

Recent developments at leading Colombian legal cannabis cultivator **PharmaCielo** (TSXV:PCOLO) indicate that the company is ramping up its operations and preparing for commercial production.

The company, which embarked on the acquisition of Australian stock exchange listed **Creso Pharma** ([ASX:CPH](#)) for \$110 million, has achieved several key milestones in recent months that bode well for its outlook.

For these reasons, while I [have doubts](#) regarding the true state of play for Colombia's burgeoning legal cannabis industry, PharmaCielo still ranks as a top contender for investors seeking exposure to the growing global cannabis industry.

Growing at a solid clip

The Creso deal is highly beneficial for PharmaCielo. It will add that company's licensed Canadian cultivating facility, totalling 200,000 square feet, and GMP accredited processing facility to PharmaCielo's assets.

This Canadian presence will allow PharmaCielo to readily access the local market and the expected surge in demand for cannabis-infused recreational and healthcare products once edibles, extracts and topicals are [legalised](#).

That market alone is estimated to be worth over \$4 billion by 2022, and it is anticipated that manufactured cannabis infused products will have significantly higher margins than dried flower.

This underscores the considerable potential that market holds for Canadian marijuana companies, which have been struggling with profitability since recreational use was legalized.

The deal will also give PharmaCielo a significant European presence, where Creso has established a broad distribution network for its range of pharmaceutical cannabis-based supplements.

Creso also continues to focus on expanding its business, recently securing a comprehensive distribution agreement with Medleaf Therapeutics in New Zealand for the distribution of its cannaQIX 50 and 10% CBD Oil.

In early July 2019, Creso announced that it had commenced cannabis sales from its Nova Scotia facility to meet a multi-year supply agreement, which will generate over \$5 million in revenue for that operation.

The acquisition is on track, with Creso recently repaying almost \$6 million in debt, a key condition of the deal slated for completion in September 2019.

Aside from the considerable benefits that the Creso deal will deliver for PharmaCielo, the company has secured approval from Colombian regulators for the commercial export and sale of non-psychoactive CBD isolate.

That is a significant step because of Colombia's strict regulations governing the export of legal cannabis products including the prohibition of dried flower exports.

PharmaCielo has also taken steps to significantly increase the volume of marijuana and related products that it can produce.

According to an August 2019 press release, it invested \$4 million to expand its capacity 12-fold, allowing it to process 265 tons of dried flower, and has begun processing 18 tons held in inventory.

PharmaCielo also now has 12.1 hectares of land under active cultivation, more than double the 5.3 hectares that existed at the start of 2019.

It is anticipated that those developments will allow the company to meet expected demand for cannabis oil now that it has secured the appropriate permits to commence exports.

Investors should note that PharmaCielo is positioned to become one of the lowest cost marijuana producers globally.

Earlier this year, it estimated that its dried flower production costs could be as low as \$0.05 per gram compared to \$1.50 in Canada, as Colombia possesses many attributes that make it a highly favourable jurisdiction for cannabis cultivation, including an advantageous climate that allows low-cost outdoor cultivation and a minimum wage of roughly a sixth of Canada's.

Foolish takeaway

These factors highlight the considerable potential possessed by PharmaCielo's operations, which, once commercial production commences, should see it reporting some solid numbers.

Once the cultivator starts reporting sales and has completed the acquisition of Creso, its stock should soar making now the time to buy.

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