



Cannabis Investors: 2 Companies That Have Already Reached Profitability

Description

When looking for investments in the cannabis space, investors should first look to the companies that have already been able to turn a profit.

In an industry as competitive as cannabis, where so much of it is regulated and controlled by the government, any positive differentiation from one business to another is huge.

The fact that some companies have focused more on profitability rather than acquisitions and hype could mean the difference in long-term success.

While the idea of consolidating companies for increased scale and reach makes sense, the idea of becoming profitable and then scaling slowly makes even more sense.

Two of the top cannabis companies that have already turned a profit are **Organigram Holdings Inc** ([TSX:OGI](#))([NASDAQ:OGI](#)) and **WeedMD Inc** (TSX:WMD).

Organigram

Organigram is one of the largest licensed producers in Canada with a market cap of roughly \$900 million. Currently its earnings per share for the last four quarters is \$0.23, giving it a P/E ratio of ~25X.

While this may seem like a high P/E ratio for a well-established company, it's a pretty fair valuation for a growth company in a growth industry.

[Organigram](#) is expected to continue to grow its revenue as more capacity comes online. It's targeting total annual capacity of 113,000 kg by the end of 2019.

One of the main reasons that Organigram has been able to be profitable is its low cost of growth. It has managed to keep its average cost per gram below \$1, one of the lowest costs in the industry.

The company is still able to grow high-quality indoor cannabis, but because it has managed to keep its

costs down, it is seeing solid profitability.

In the third quarter, it sold just under 4,000 kilograms of dried flower and just over 5,000 litres of oil. These numbers are small in comparison to its eventual total capacity, and the fact that it's already profitable is promising.

As the industry expands and the sales of extracts and edibles becomes legal, look for Organigram to increase its sales considerably.

WeedMD

WeedMD is quite a bit smaller than Organigram with a market cap of just \$160 million. The company, however, is profitable as well and trades at a price-to-earnings ratio of just ~13 times.

The company has a history of prudent financial management. Even the legalization of recreational cannabis in 2017, when many of its peers were racking up huge losses, WeedMD was reporting minimal losses and almost breaking even.

It has clearly transitioned well, and now that recreational cannabis has been legalized, it has been consistent in keeping its margins and reporting an income.

As the industry continues to evolve, WeedMD should become more profitable as it reaches scale. It expects to have total capacity of nearly 150,000 kilograms annually come online by 2020, and its production rate at the end of 2019 is estimated to be about 50,000 kilograms a year.

The introduction of edibles and extracts should also be a major catalyst for growth, especially through its CX Industries brand. The new phase of legalization should reward WeedMD well, especially given its impressive performance since legalization.

Bottom line

Buying cannabis stocks that are already profitable is a safe and opportunistic way of getting exposure to the space ahead of the second wave of legalization. Both companies offer investors profitability combined with [value](#).

Organigram is an industry leading stock with the potential to grow several times over. WeedMD is a prudent financial manager that will continue to post impressive numbers as edibles and extracts start to hit the market in late 2019 and early 2020.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:OGI (OrganiGram)
2. TSX:OGI (OrganiGram)

3. TSXV:ENTG (Entourage Health Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/06/30

Date Created

2019/09/20

Author

danieldacosta

default watermark

default watermark