



Cannabis Wheeling and Dealing Could Lead to Big Opportunities for Investors

Description

Of late, **OrganiGram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)) has been enjoying the spotlight as interest in cannabis stocks rises. In the last 12 months, this pot stock's price has risen 66% at the time of writing. Accordingly, its shares are rapidly becoming a [hot favourite](#) among investors.

However, there happen to be a couple catalysts that I think deserve discussion. Here's why I think OrganiGram should be on every investor's radar right now.

The game-changing deal with British American Tobacco

A couple weeks ago, tobacco giant **British American Tobacco** acquired a 19.9% stake in OrganiGram worth \$221 million. The investment will allow for increased R&D and the production of next-Gen cannabis products. Additionally, investors seem to think this deal may also open up the possibility of OrganiGram expanding faster on an international scale.

Accordingly, since the announcement of this strategic collaboration, OrganiGram stock has witnessed a surge of 50%. This has resulted in a valuation of roughly 15 times EV/sales. Thus, the market appears to be pricing in a sizable premium on this pot stock.

I feel this collaboration can profit both companies if they align their vision regarding the market's direction with their products. Then again, this investment alone does not guarantee success for OrganiGram.

The green rush has been good to OrganiGram

In 2017, the market buzzed with the promise of marijuana legalization in two big markets: Canada and California. As a result, investors flocked to cannabis stocks, including OrganiGram, to tap into the market's incredible potential. However, the market has more recently turned bearish, as expectations have, unfortunately, not manifested into reality post-legalization.

Recently, Washington, D.C., and 15 other states in the U.S. have legalized cannabis for recreational purposes. Likewise, 36 other states have allowed marijuana for medical purposes. It appears more states seem willing to jump on this bandwagon, as votes in favour of legalization increase.

Take the example of the Gallup poll in 2020. Around 68% of the adults who took part in that poll favoured marijuana legalization. Experts predict that compared to the current benchmark of \$13.6 billion, cannabis sales, especially in the U.S., can reach tremendous heights in the next 10 years. They predict big deals and major collaborations are on the horizon for this industry, which may push sales even further.

Bottom line

In recent years, top players in consumer sectors like tobacco, beauty, alcohol, and fitness have shown great interest in CBD-infused products and cannabis in general.

With such tremendous growth prospects and an incredible deal in the bag, OrganiGram's shareholders can anticipate benefits from collaborations that will accelerate growth and profitability. Indeed, I think the company's partnership with British American Tobacco could be a sign of good things to come.

Of course, as with all cannabis stocks, these trades are highly speculative. Be sure to practice proper portfolio discipline in sizing positions accordingly.

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1. Cannabis Stocks
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