



1 Small Cannabis Player Could Deliver 133% Return in the New Year

Description

Cannabis stocks haven't taken off because industry players are piling up losses instead of profits. Likewise, the federal legalization of marijuana in the U.S. hangs in the balance, although momentum is building for a possible bipartisan approval next year.

Congressional Cannabis Caucus co-chairpersons, Rep. Earl Blumenauer (D-OR) and Rep. Barbara Lee (D-CA) penned a memo listing several marijuana legislation proposals on Capitol Hill in 2021. Blumenauer said, "I think the stage is set for federal legalization to happen next year."

Meanwhile, investors wouldn't touch the presumed [growth stocks](#) with a 10-foot pole. Only **OrganiGram Holdings** ([TSX:OGI](#))([NASDAQ:OGI](#)) could be in their [buy lists](#). The small cannabis player has returned more than 40% thus far in 2021. Market analysts forecast the price to climb between 42.2% and 133.6% in the next 12 months.

Losing investments

In Canada, Tamy Chen, an analyst at **BMO** Capital Markets, said the biggest licensed producers are either share gainers or flat/losers. Chen predicts a year-over-year decline in recreational sales in Canada in 2022 unless more municipalities opt for cannabis stores.

Hexo (-76.45%), **Canopy Growth** (-60.47%), **Cronos Group** (-36.65%), **Aurora Cannabis** (-28.58%), and **Tilray** (-53.89% in six months) are all disappointments in 2021. Small-cap weed stocks like **Charlotte's Web** (-65.16%), **Fire & Flower** (-37.47%) and **Village Farms International** (-37.16%) aren't [attractive choices](#), too, given their year-to-date losses.

If the failure to enact federal legalization was one of the reasons for their underperformance this year, it's also federal reform that can create a big run for these stocks in 2022. On December 17, 2021, a group of cannabis cultivators, distributors, manufacturers, testing laboratories, retailers, and consumers wrote a letter to California Gov. Gavin Newsom and legislative leaders.

The broad group warns of a collapsing industry in the state if there's unwillingness to legislate a

functional regulated cannabis industry effectively. However, Nicole Elliott, California's Department of Cannabis Control chief, said the agency needs more time to "improve on and iterate the regulatory framework."

Top-performing cannabis stock

OrganiGram is the only winning cannabis stock in 2021. At \$2.44 per share, the year-to-date gain is 44.38%. The licensed producer of cannabis and cannabis-derived products enjoys a 7% share in Canada's recreational cannabis market. Also, it's the only publicly-traded Canadian cannabis company with a woman at the helm.

Food industry veteran Beena Goldenberg assumed the CEO post on September 9, 2021. The female CEO said, "When I was in consumer-packaged goods, we always looked to the U.S. "There's that old 10:1 rule, which is (the U.S. is) going to be 10 times the size of Canada, so you can't ignore it." She adds, "The U.S. has to figure into everyone's game plan."

In Q4 fiscal 2021 (quarter ended August 31, 2021), the \$731.61 million company reported a 43% growth in gross revenue versus Q4 fiscal 2020. More importantly, net loss reduced by 33% to \$25.9 million. Goldenberg is excited for fiscal 2022. Management expects to continue the momentum from Q4 fiscal 2021. It will invest in its facilities to create economies of scale and cost efficiencies to improve gross margin profits further.

Cannabis revolution

The federal legalization of marijuana in the U.S. could be a game-changer. If you want to take a position before the cannabis revolution begins, OrganiGram is the logical choice.

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