Organigram

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Tammy: So, we'll move on to our next presentation, which is Organigram. So, Organigram is a licensed producer currently serving the Canadian medical and recreational market. The company operates an indoor facility in New Brunswick, which is one of the eastern provinces in Canada. And at full capacity, the site is expected to yield over 100,000 kilograms a year.

And in its most recent quarter, the company reported revenues of about $27 million and has a market cap of about $1.5 billion. And with that, I'm pleased to introduce Organigram's CEO, Greg Engel.

Greg Engel: Good afternoon, everyone, make sure I'm on here. So, yes, as Tammy said, Organigram is one of those first group of licensed producers in Canada. We're traded -- sorry, just to go back one -- so, we're traded on the QX today, but we are graduating to the NASDAQ. EDGAR published that on Monday, that we are now cleared for the NASDAQ, so we expect to be listed and trading on the NASDAQ imminently under the same ticker, ODI, as we do in Canada. Our standard disclaimer statement.

So, just as a glance in terms of who we are as a company, we are one of only four companies that's currently distributing all 10 Canadian provinces in the adult recreational market. We're very unique in terms of our production is 100% indoor at one facility. And part of the strategy of going with a large-scale indoor production facility was that we wanted to compete for that premium high-end part of the marketplace. And we grow on three levels, which I'll show in a video in a few minutes. And we are expanding currently on our global footprint as we grow as a company.

So, our Q2 results, which came back a few weeks ago, we saw quarter-over-quarter more than double in revenue, so we had $26.9 million in revenue. But one of our big differentiators as a company is that we're showing very strong gross margin, with a 60% gross margin, or $60 million, as well as an adjusted EBITDA margin of 49%, or $13.3 million. This was our third quarter in a row with strong adjusted EBITDA margins, which certainly is showing, from a performance perspective, we're building a long-term sustainable, profitable business, and we're definitely one of the leaders in terms of positive adjusted EBITDA in the industry.

So again, our premise of building out with an indoor facility is that we certainly believe that there would be an opportunity for -- there is a difference between how indoor-grown product is perceived in the market, higher quality, more complexed aroma, kind of terpene profile. And ultimately, our premise was that we wanted to compete in that

portion of the market, because the majority of companies were going with large greenhouse or custom designed, or converted hothouse tomato greenhouses. And what we've seen with many of those companies is some real struggles with their ability to actually hit their production numbers. In the previous quarter, when we reported at that time, we actually had higher production levels than both Aurora and Canopy, which have millions of square feet of greenhouse. And with our indoor facility, we were able to outpace them in terms of total production.

In terms of from a licensing perspective, our facility's on one campus, so it's a big advantage for us from a cultivation perspective. As we add additional production to it, it's all under one licensing regime. We add an amendment. We're also doing it with a very similar kind of approach in terms of our three-level production. So, it gives us a big advantage in terms of the licensing process. So, even our most -- recently our phase 4a/b was completely -- the building was licensed. The first production rooms in 4a were licensed. And we actually got licensing one day ahead of what we had projected to market, which, again, other companies are facing significant delays in licensing, so a big advantage for us.

We do have another 56,000 square feet that we're converting right now to additional expansion for extraction, and then primarily our area for edibles production, as well as expanded derivative production for vaporizer pens and those products. So, again, that we expect to be completed and up and running by October. And we expect to -- and I'll speak about it in a moment -- to be a key leader in many of those targets, especially chocolates. We have a operational team that comes from the chocolate industry and the food industry, so we're very well-positioned to be a leader from a chocolate perspective.

So, I'm just going to show a video here that plays for about six minutes. And I think the importance of showing this, it gives you a sense of our facility, and I think it is a very different facility. So, hopefully this plays.

[Begin video.]

[End video.]

Greg Engels: So, high level of automation. Again, we really treat this as a CBD product, and we're focused on not only automation in the processing side, but automation in the packaging side. One of the key things there is that many companies have struggled with the excise stamps that need to be applied in Canada. We have automated lines that do that for all of our product lines. So, again, that sounds like a simple thing, but when you're shipping millions of units, you need to be able to apply those excise stamps in an automated fashion. So, it's been a big differentiator for us.

I'll just dive into a couple other aspects. So, as we move in the derivative markets as Cannabis 2.0 launches in Canada this fall, we are very well-positioned from an edibles and derivative-based product perspective. We have an equity -- sorry, we have a in-licensing partnership on IP and technology from the Green Solution in Colorado, which is a vertically integrated leading producer in the Colorado market. And we've used them to help us with upscaling our extraction capacity. We have all their formulations and access to their vendors, as well. And we're taking that to the next level on some of our food product development with Canada's Smartest Kitchen, which is a research lab in Canada, as well, to help us with chocolates. And we are using Valens GroWorks to help us get through some of the process backlog of material.

One thing that we've done uniquely, we don't have a beverage product formulation partnership today, but we are actively seeking a beverage partner. And in order to leverage our strength going into that, we've invested in technology and invested in creating a very unique water soluble, tasteless, odorless, low molecular weight formulation that's both kinetically and thermally stable so that, when we have discussions with whether or not they're CBG companies or beverage/alcohol companies, or a THC or a CBD potential infused beverage, definitely we are in a position to show them we have something that can be fast-acting, have a shorter duration of effect, and really lend itself to whether or not you're looking at alcohol/beverage replacement or CBD use. So, again, we're actively looking for a partnership there.

Another thing that makes this unique, we're one of only two cannabis companies that's invested in biosynthesis. For those of you that don't know biosynthesis, biosynthesis, basically yeast fermentation to produce proteins that are then converted into your final product, which in this place is a cannabinoid. So, currently, Hyasynth is a company that we have a 25% ownership stake in. We can take that ownership stake up to just sub-majority. And they currently can produce CBG, THC, CBD, as well as a couple minor cannabinoids, including THCB. We see this as a completely disruptive technology to the industry.

Biosynthesis produces the majority of the world's insulin. This is how ASA for aspirin is produced. Many vitamins are produced this way. Essential oils are produced this way. It's scalable in a much lower cost from a scalability perspective and at a much higher turned throughput than you can do from plant base. So, early estimates are that the first commercial production will be around $0.10 on the dollar versus plant-based production. This, again, lends itself to whether or not you're looking at a partnership with a CBG company, or potentially unique formulations for pharmaceutical companies. So, again, a strategic investment for us as a company.

We are focused on this hemp-CBD marketplace. Like the U.S., you're seeing in Canada a dramatic demand for hemp-CBD and for CBD products in general. We are accessing genetics from a Canadian company where they've been doing cultivation, and we're processing product that's between 4% and 8% CBD. We also have an investment in a Serbian hemp company to produce CBD for the European market. And we're actively looking at other opportunities within the United States on the CBD market.

From a balance sheet perspective, so at the end of last quarter we had $63.4 million on our balance sheet. We did announce that we've signed indicative term sheet with a Tier 1 chartered Canadian bank. We have a banking syndicate that's going to offer us debt financing of up to $140 million, and $115 million of that will be traditional debt financing with $25 million being a revolver. And again, that allows us to shore up our balance sheet, to have access to capital for traditional opportunities but, at the same time, not do dilutive equity financing.

So, just in conclusion, kind of our investment thesis is lowest cost to cultivation in the industry, which is a big differentiator for us, which bucks the trend of many of the large greenhouse producers; built out large greenhouses under the assumption that they would be low-cost cultivators. Ultimately, we're proving them wrong, producing a very high quality product at a low cost. Our production capacity by the end of this year will be 113,000 kilos. We're very strongly positioned for the edibles market, and we have had positive gross margin and adjusted EBITDA now for the third quarter in a row on the adjusted EBITDA. And last, I think, and most importantly, we're invested in disruptive technology with Hyasynth. And I did make a point that we'd announced that, on April

26th, that we'd be listed on the NASDAQ, and the EDGAR approval for that went up on Monday. So, we expect to be trading on the NASDAQ in the not-too-distant future.

So, that's it, so I will come over to--.

Tammy: --Yes, please. Thank you. I'll quickly poll the audience if there are questions. And if not, I'll dive into it. No? Okay. Greg, I wanted to touch on the work that Organigram's been doing on the beverage side. So, could you talk a bit about the science behind it and why the company believes that it is shelf-stable and that it has the quicker onset effect, and offset?

Greg Engel: Yes, it's a great question. So, again, we invested in research in this area because, when we did speak to CBG or alcohol-beverage companies that were looking at this space, what we saw was that they were still early days in terms of why they would want to do a joint venture or an equity investment in a company. And we felt having solved this issue upfront would give us a better leverage position and prevent (ph) a ready-made solution.

So, the work that we've done to date on the formulation, we know from a pharmacokinetics perspective, in terms of when you're producing something in the 20- to 25-nanometer size, in the case of cannabinoids, that it does not have to go through first-pass liver metabolism to become active in the bloodstream. It can simply go from the GI tract into the bloodstream and cross the blood-brain barrier. And again, that's a known entity at that molecular size. We will be testing that in humans shortly to prove out that thesis, but we know, again, based on pharmacokinetics, that it's factual.

And the advantage of being a fast-acting is also that you hit a peak quickly. People know what their effect is, so you can micro-dose, and you also will have a shorter duration. So, in a beverage, if you're looking at a THC-based beverage, for example, people could consume multiple beverage over an evening or a social event and having a moderating effect. And they know what that effect's going to be.

The formulation development is unique to us. We're looking at a patent strategy right now. And we believe, again, the testing we've done, kinetically stable, you can run it through a centrifuge at 6,000 RPMs. It doesn't separate out. It's thermally stable, so you could put it into hot beverages or actually do a pasteurization step. So, lends itself to really any number of partnerships.

Tammy: Okay, great. I notice we're just out of time, so thank you, Greg.

Greg Engels: Okay. Thanks, Tammy.

Tammy: Thanks.