Company Name: OrganiGram Holdings Inc. (OGI)
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<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Good afternoon and welcome to Canaccord's 40th Global Growth Conference and thank you all for tuning in virtually. OrganiGram is our next presenter. They're a Canadian-licensed producer, operating an indoor cultivation facility in New Brunswick, benefiting from some of the lowest utility and labor rates in the country.

Last month, the company reported its third quarter of 2020 earnings, which saw revenues come in at $18 million and adjusted gross margin prior to write-offs and layoffs related expenses of 21% and an adjusted EBITDA loss of negative $24.7 million. The company has been one of the leading players in rolling out cannabis 2.0 products and recently introduced the value-oriented dried flower products, Trailer Park Buds.

OGI currently trades at 4.9 times our calendar year 2021 EBITDA estimates, a discount when compared to the Canadian LP peer group at 9.2 times. Canaccord has assigned a speculative buy rating on the stock and a $3 price target.

We're very pleased to have Paolo de Luca with us today, Chief Strategy Officer at OrganiGram. And before I pass it on, I'd like to remind listeners that questions may be submitted via the portal, and we'll do our best at the end to answer and address any questions.

Thanks Paolo, please take it away.

<<Paolo de Luca, Chief Strategy Officer>>

Great, thanks very much, Bill and Canaccord for hosting us today and for everybody, who has joined to listen and participate on the call. I'd just send Greg Engel, our CEO's regards, he couldn't attend at present today due to a personal situation, but I'm – I'll be happy to present and answer any Q&A on the end of the call. I'm – I'll be referencing a 13-page slide deck, which should be available to use. So, as I go along through the presentation, I'll make references to the slides that I'm on.

So, turning to Slide 2, which is just a cautionary statement with some language about some of the legalities of what's being presented and what we're saying in terms of forward-looking information. You can read that at your leisure, but it is an important part of the presentation and I do encourage people to consult with that before going through the rest of the slides.

So moving to Slide 3, you can see a picture of one of our rural rooms. So, right off the bat, you can see that we're growing on three different levels. OrganiGram is a leading licensed producer of premium quality product for both the medical and adult-use recreational markets. We are a significant player in both dried flower and pre-roll sales as well as derivative products, such as vape pens, edibles, in particular chocolates and oils. We are a true national player with sales in all 10 provinces, as well as international sales. Unlike many of our larger competitors, we operate out of only one facility, which is based in month in New Brunswick.

We are currently operating at less than full capacity, which allows us to increase production if and when needed without any material capital expenditure.

Our production facility is indoor allowing us to control the critical facets of the growing environment. We believe this is an advantage compared to many other producers, who rely on greenhouse or outdoor production. We believe that an indoor grow with strong environmental controls can manipulate the cannabis plant to best achieve high THC and terpene profiles. And uniquely as the picture evidences, we grow on three levels, which allows us to optimize our footprint and has historically contributed to an attractive cost of cultivation.

So, I'm going to switch over to Slide 4 now. The title, Adult Recreational Brands. So, this slide provides a snapshot of our adult-use recreational brands in Canada. Trailblazer and Buds, formerly known as Trailer Park Buds, our value brands, while Edison is more mainstream to premium and anchor is our newly launched organic line, which is a bit of a niche category that we hope to extend the brand into other products and categories going forward.

Momentarily, I will go over some of our product portfolio and exciting changes that are in progress. Edison has historically been our flagship brand and the one that we have traditionally put the most weight behind in terms of both SKUs and sales and marketing efforts. Like most of our competitors, we originally envisioned at least three price segments with mainstream to be destined for the largest share. Out of the gates, our Edison offering did well, as we were able to supply the adult-use rec markets better than many of our peers with volumes to the larger provinces.

Over time as competition increased, our Edison brand needed a refresh as competing THC levels from rivals increased and we've looked to rectify that with the mass launch of Edison Limelight earlier in the year, as well as the recent launch of three new high THC strains. The Gorilla, Chemdog and Samurai Spy. So aside from Edison, that the other two that I'd like to focus on would be a Trailblazer and Buds again, formally known as Trailer Park Buds.

What we saw – seen since the launch of the recreational market is a pretty systemic shift to the value segment as well as a shift to larger format SKUs. We launched Trailblazer last year mainly in the pre-roll 1 gram and 3.5 half gram size, but have recently extended that to larger formats, including the 7 gram and a 15 gram SKU. To address the 28 gram size, which has become very popular, which corresponds to an ounce in the black market, which many people are familiar with consumers at least. We launched Trailer Park Buds, which has done very well, but have recently decided to abbreviate the name to just Buds to avoid a potential issue from a regulatory perspective.

So right now, it's just known as Buds, and we've just marked up the Trailer Park on the packaging, but there seems to be a legacy kind of understanding amongst our consumers that it related previously to Trailer Park Buds, and it's doing well in the markets that we've done. The focus on value is a shift that we think is probably going to last for a little while and is really helping, I think the legal market eaten to some of the original kind of market share that the black market has been very strong to hold onto.

So, we do think that these two brands are going to be an important part of our mix going forward and I mentioned anchor before, that's our organic line that we look to launch into more extended products as time goes on. So, this portfolio is something that we're proud of and we're pleased with the recent success of our new launches in SKUs and in all three of the main brands that I mentioned.

So, just turning to Slide 5 now, our recent highlights. I would like to briefly outline some of the latest developments, including our most recent quarter, which was our Q3 fiscal 2020 for the three months ended May 31, 2020. The quarter aligned with the start of the pandemic, which definitely had an impact on our results. For most of Q3, the company was working with a substantially reduced workforce. In early April, we announced 45% of our workforce. We're temporarily laid off in an effort to protect the health and safety of our employees to allow for physical distancing within the facility.

Our ability to launch new products was temporarily hindered, albeit later than we expected, we did launch our first value offering of dried flower in a large size format of 28 grams during the quarter. The product has been received very well and it is part of an overall portfolio revitalization and progress with some 20 SKUs being launched from July to September. I will go into more detail on our product revamp in a moment.

Last month, we laid off approximately 25% of our workforce in order to better align with prevailing market conditions. Not unlike many of our peers, we had overbuilt and we're over-producing for the current market demand. However, we have a strong track record and a proven history of managing our costs compared to our peer group. Importantly, in setting us apart from many of our peers, we generated positive operating cash flow in Q3 of $8.5 million and achieved this even before we right size our labor force and despite softer revenue.

Now, we are moving forward with a leaner workforce and only modest capital investments remaining to complete the plants for our facility. And to drive the top-line, we have a very focused strategy, one that prioritizes to be successful in the dried flower market in Canada, which is the largest product segment in cannabis and a strategy that ensures a continued focus on Rec 2.0 products as that market evolves.

As I mentioned, we are in the middle of a revitalization of our product portfolio, and I have launched a number of new products with more to come in the near-term, which we believe have the ability to compete with the market leaders in their respective categories. In addition to strong progress in the Canadian market, we secured our largest international deal to date to supply Chemdog, one of Israel's largest medical cannabis consumer producers. Under the terms of the agreement, we will provide a guaranteed 3,000 kilograms by December 31, 2021, for processing and distribution into the Israeli medical market. We may provide an additional 3,000 kgs during the same time period at their option.

So, just moving forward to Slide 6 now, Moncton Campus facility. As I mentioned, our plans for the Moncton Campus facility are nearly complete with only $4 million and remaining CapEx at the end of May. We are largely done with our Phase 4 expansion and total production capacity is estimated at 70,000 kilograms a year. But we expect to cultivate below target production capacity for the foreseeable future based on lower than expected consumer demand. We are near reaching our Phase 5 refurbishment of 56,000 square feet for an edibles and derivatives facility, and additional extraction capacity, including hydrocarbon extraction.

Moving to Slide 7. New product launches in line extensions. Turning to more detail on our product portfolio revitalization. We have conducted consumer research and have leveraged a detailed analysis of consumer purchasing behaviors to better align our products with evolving consumer preferences. Although, we have launched a number of new products, some launches were delayed from original expectations. Unfortunately, our value offerings in the larger SKU formats were later to be launched that we had expected, mostly attributable to a reduced workforce and delays on packaging equipment and materials from COVID disruptions to the global supply chain.

There has been significant growth in the dried flower value segment of the adult-use rec market, including the larger SKU format offerings. Value priced products in larger format sizes became increasingly popular during the pandemic as consumers looked to pantry load in the early stage and later become – became more comfortable with ordering online. We expect this trend to continue.

At the end of April, we launched Trailer Park Buds, our first value price product in a large format size of 28 grams. We believe we are offering a differentiated product, which doesn't just compete solely on price. Trailer Park Buds is strain specific, dried whole flower and indoor grown unlike much of the greenhouse competition. We have decided to develop a brand-new logo, new brand and logo after a discussion with Health Canada. But our interim branding of simply Buds was recently listed in Ontario and is doing very well.

For Quebec, our value line in the large format offering is expected to be under the Trailblazer brand and anticipated to launch in Q1 of fiscal 2021. The Trailblazer brand was our only value price offering until now in 1 gram, 3.5 gram and pre-roll formats. We recently launched Trailblazer dried flower in larger format sizes of some 7 gram and 15 grams. The brand offers higher THC potency for one; we originally launched Trailblazer just after record legalization at a competitive price point. We have rolled out further line extensions on our most popular Edison brand strains, such as Edison Limelight to offer new size formats and three pack pre-rolls. And just last week, we launched three new core strains under the Edison brand with higher potency THC. These included the general, otherwise known as Grapefruit GG4 in black market, Chemdog and Samurai Spy, known as Ninja Fruit in the black market.

Just turning to Slide 8, Rec 2.0, OrganiGram vaporizer pen portfolio. We have a comprehensive vape portfolio, which addresses the value mainstream and premium segments of the market. Our Trailblazer Torch vape cartridges represent our value offering. We are one of the Canadian partners for PAX Era, the premium closed loop vaporizer system created by PAX Labs and are the exclusive Canadian supplier of the Colorado-based Feather Company's hardware and technology.

Just turning to Slide 9 now. Rec 2.0, Cannabis-infused Chocolates. We recently launched our value chocolate bar under the Trailblazer brand. This is our second product offering in the chocolate category after the introduction of our premium Edison Bytes earlier this year. We believe the Trailblazer chocolate bar is superior quality chocolate to the current leading value brand offering and is available at a very competitive price point.

Just turning to Slide 10 now, powdered beverage product, proprietary nano-emulsification technology dissolvable powder product. We now expect to launch our powdered beverage product Q1 fiscal 2021 after facing delays in parts due to COVID-19. As we have said, there has been a lot of interest from provincial category buyers in this product. We acknowledge the beverage category is still relatively small, but it has been fast growing. This dissolvable product can be added to a beverage of the consumer's choice and is anticipated to provide an initial absorption of cannabinoids within as few as 10 to 15 minutes.

In summary, we have a lot of new entries into both the dried flower market and the Rec 2.0 market in Canada. We look forward to them gaining traction over the coming months. A consumer walking into a retail store or visiting an online website this month should see an improved and expanded product offering from us compared to earlier this year.

Let's turn to Slide 11 now, investment in disruptive technology-biosynthesis. This is our – this is a term of ours to focus on innovation. We are only one of a few cannabis producers to have an investment in biosynthesis, a potentially disruptive technology, which produces cannabinoids without actually growing the cannabis plant. Biosynthesis has the potential to produce even minor rare cannabinoids that are found in very small percentages in the cannabis plant at scale, and at a fraction of the cost of traditional cultivation. We have an investment in Hyasynth, a Montreal-based biotech company and leader in the field of cannabinoid science and biosynthesis. They continue to optimize their process and to make progress towards small commercial batches.

Turning to Slide 12 now, liquidity and capital. This slide brings together and reiterates a number of points I have already made to show we have adequate capital and liquidity. We completed our at-the-market offering and generated positive operating cash flow of $8.5 million in our last reported quarter and we reported cash in short-term, balance sheet strength of $78 million as of July 17, 2020 with only $4 million remaining in CapEx expansion at the end of May.

Turning to Slide 13, just to wrap it up here and to open the floor for questions. We are excited about the future. There is no question. The pandemic presents a lot of uncertainty, but there are some encouraging trends. More retail stores continue to open, particularly in Ontario, where they are needed to generate demand. We are excited about significant revitalizations to our own product portfolio to generate top-line growth and we have a strong track record of food and cost management, and believe we have made necessary changes to right size of the company.

Lastly, we remained relentlessly focused on building a business that generates an attractive return on investment for our shareholders.

With that, I'll conclude the formal part of the presentation and open up to questions if there are any from the floor.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Hey, Paolo. Thanks for that presentation. Really detailed, really appreciated listening to it. Just a couple of questions, I guess I could throw at you.

<<Paolo de Luca, Chief Strategy Officer>>

Sure.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

So, we're seeing a decent amount of oversupply in the provincial channel. A lot of the provincial distributors are holding high amounts of inventory and it seems like the market is quite oversupplied. However, at the same time, we're seeing tremendous growth with new retail openings in Ontario and a lot of stores already licensed, I think over 400 stores licensed in the pipeline in Ontario and there's even discussion of opening up additional warehouses in Ontario to house cannabis product. So, I'm interested in hearing what your belief, what OrganiGram thinks needs to occur in order to kind of see that supply demand curve, revert to an equilibrium.

<<Paolo de Luca, Chief Strategy Officer>>

Yeah. So, it's going to be a combination of essentially reducing supply and increasing demand. On the supply side, what we're seeing as we predicted actually a while ago is that we're seeing some of the bigger players, who have maybe, cultivation facilities across the country, multiple facilities, we've seen them shut down some of them, some cases more than half and some cases less. Presumably, those are the least efficient operators or the ones that are not producing the requisite level of quality in flower. That's a good step. So, taking cultivation capacity offline is one piece of it. So that's within kind of the producers that have multiple facilities. I also think that there's going to be a wave of the smaller producers that just can't make it economically.

They're too small. They don't have the distribution points. Their cost structure is just excessively high. As we've seen prices come down on the floor that just makes the economic sandwich tougher for everybody. So that would be kind of on the supply side. On the demand side, I think you touched a part of it would be the number of retail distribution points that absolutely is going to help. We've seen obviously, provinces like Alberta that are over-indexed in-stores, do much better on a per capita basis than provinces with less stores per capita. I think also, with the competition and the shift in terms of – to more value type products, we've seen more of a displacement of the black market. So, the pricing in the legal market now is much more competitive to black market than it was before. The SKU offerings are also more competitive.

We've seen a lot more ounce, which is 28 gram or half ounce and the 14, 15 gram sizes proliferate and I think that again, it's going to help the demand side. But there does need to be a bit of a shakeout in terms of – shaking out some of the weaker players or at least the more – the excess cultivation capacity that exists in the industry that's already started to happen. I expect that to continue. And I think the rebalancing will happen naturally as demand increases and the supply gets rationalized the proper levels.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. Thanks for that. I guess one more question since we're nearing the end. So, at the end of the last quarter, the company ended with $44 million in cash and subsequently, raised an additional $17.9 million through the ATM program. So, perhaps you can give a bit more color in terms of what the company is going to be doing with the cash available on hand going forward and beyond the CapEx required for the Moncton facility.

<<Paolo de Luca, Chief Strategy Officer>>

Yes. So, a lot of that cash is dry powder to be frank. We don’t have any major CapEx planned. We do think, because of the challenging environment that having excess cash is a strategic advantage and we’re cognizant that capital markets are fickle sometimes and events happen that all of a sudden close the door on capital markets. So, you want it to be somewhat cash rich going into a very turbulent period in the industry. I think again, tying it back to the earlier question, it’s going to take some time for the industry to rebalance itself from a supply demand perspective.

So right now, the cash is really meant just to be kind of a safety net for us. We did report positive cash flow from operations last quarter. So, our goal is to continue to be cash flow positive and again, because our CapEx does not – is modest with $24 million left at the end of our last quarter to complete. The cash really is meant to be a reserve and there may be a time, where there’s some sort of something that makes sense for us to invest in. But at the present time, it’s really meant just to be a safeguard.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. Thanks a lot, Paolo. With that, I think we’re at the end of the time for the presentation. I just want to thank you again, for tuning in and giving this presentation and thank you to our listeners for tuning in as well.

<<Paolo de Luca, Chief Strategy Officer>>

Thank you, Bill and thank you, Canaccord.