

Company Name: OrganiGram (OGI)  
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<<Matthew Bottomley, Analyst, Canaccord Genuity Inc.>>

Good morning, everyone. Thanks again for joining us, just moving along in our presentation set. So up next we have, I'm pleased to introduce one of the leading licensed producers in Canada, really when you look at the current landscape we're in, there's only about five or six licensed producers that have really meaningful market share already. And I think OrganiGram probably has the best or at least most attractive relative valuation within that group.

So with that, I am pleased to introduce Greg Engel, CEO of OrganiGram.

<<Gregory Engel, Chief Executive Officer>>

Great. Thanks, Matt. I appreciate it and welcome everybody online today. So I'm going to dive into the slides pretty quickly here. Just so maybe I'll ask the moderator to move to slides. Sorry, just takes a second here. Okay. So, as Matt outlined, certainly, OrganiGram we are – certainly, we're one of the leading licensed producers. We were quick to the market to get a significant number of our products out to the market at the launch of the recreational market back in the fall of 2018. So we're traded on the NASDAQ and the TSX under the OGI symbol.

Sorry, just going to the next slide here. So also on the line with me today is Derrick West, but I'll just be quickly diving into the presentation, so certainly, our standard disclosure. So I'm thinking the highlight of our fiscal 2020. So, fiscal 2020 for us ended at the end of February of this year. We presented those results back in April. So our net revenue for the quarter was \$23.2 million, which was down slightly, or \$3.7 million, from the previous year although that had been a big load in for us in terms of the marketplace. And it was down slightly from Q1 of 2020 that was primarily driven by reduction in wholesale sales, wholesale sales were new to us, and it was very opportunistic for us to sell wholesale to other licensed producers in Canada that were looking for high quality products.

Of note though is our adult rec revenue grew 16% quarter-over-quarter, so a continued grow for us. We have continued to diversify our revenue stream. Certainly, when you look at our overall marketplace in terms of our positions that we've – in Rec 1.0 we certainly have a pretty broad range of products available and we were one of the leaders in pre-rolls. And Rec 2.0, which we really only just launched in the Q2, for us that represented 13% of our total revenue. In terms of our average net selling price, it was just about \$5 per gram. And I think, the next bullet is really important in terms of – we've historically been one of the real leaders in terms of the marketplace from a cost of production perspective.

So, as an indoor producer, it's one of our big differentiators, many companies went with large greenhouse production facilities, and we've seen shuttering of a lot of those facilities due to inefficiencies and or excess capacity of product of that type. Certainly

for us, in the quarter, we had back down to close to our lowest cost of production per gram at \$0.53 per gram on a cash basis or \$0.75 all-in. And I will talk a little bit about our 2.0 product shortly in terms of more detail, so certainly lots of opportunity to drive increased margin on 2.0. We did announced back in early April our plan around COVID-19. I think as we're all working from home right now, certainly on top of mind for everyone with a state of emergency called early in the province of New Brunswick, our facility wise, we acted quickly in consultation with our employees and the government to really give the optionality for employees to work from home.

If possible, we had started that in mid-March. Employees working from home, so we've been a full two plus months now with that. And for those in the production facility, where we could not ensure a social distancing, we gave employees the option to take temporary layoffs and bridge them to the point where they could access government benefits. So we did – as I said, we made a lump sum payments to them. We are covering our – all of the – 100% of all their healthcare costs currently as well. But with that, we've maintained a core group of employees in the facility. And that's allowing us to move quickly to bring product to market still and I'll talk about a few minutes how we've launched a number of products even with a much smaller footprint.

I think one of the key things or comment I would make on the province of New Brunswick is it managed COVID very, very well. To date there's only 120 cases. There's been no deaths in the province. They've started some return back to normal. And we've had a number of employees contacting us about kind of returning and we're evaluating how we will look to bring some employees back within the next little while. The last bullet here is key though for us, we can supplement our – with a reduction in staff. We reduced our cultivation footprint, but certainly we've tried to focus on as much as in terms of packaging and processing to get product out. And we do have sufficient inventory to meet that demand.

So our facility in general – at the end of our Q2, we're basically at the tail end of our capital spend as a company. We did delay completion of our Phase 4C because there was not demand in the marketplace with the delays in Ontario to actually require the full production out of 4C. So the strategic decision by us have given us more flexibility going forward to bring other production capacity into that area for Rec 2.0 products. So the remaining capital at the end of Q2 to finish 4C was just around \$2 million to – to allow that area to be fully kind of not fully operational, but that we could start to occupy it and use other areas within the space.

Our Phase 5 facility, so it was – this is our dedicated edibles and derivatives production area and post-harvest processing areas. So it's 56,000 square feet although part of it is actually two stories. So it's more than 56,000 square feet. It's been designed to EU GMP standards and it's been licensed in two stages, certainly in December and in March the initial area was licensed to allow us to produce our chocolates, which we brought to market initial orders by the end of February. And at the end of February, we had around \$11 million left to spend, although we do not expect to use spend that full \$11 million in the current quarter because of COVID-19 and some of the impacts that has on finishing certain types of areas. So good news is for us from a chocolate perspective that line has been fully operational and operating

and then from a vapes perspective, we've been able to use automation and bring vapes to market as well successfully.

So just quickly go into a couple updates for us. We've been very focused on the cultivation side of expanding our Rec 1.0 products. So we've been bringing new strains to market our Limelight, which is a 20% to 27% THC and our El Dorado, which has been an award winning strain for us, which is a hybrid at 18% to 20%. We've recently has now announced as well Trailer Park Buds coming to market in a large SKU format. I think one of the big differentiators for us in that value segment is that the majority of that product that's out there and value isn't necessarily strain specific, so this product is strain specific. It's indoor grown, so certainly a very good quality.

And certainly initial response has been very well received in the market. We also launched and the current quarter have made our first shipments to a couple of provinces are [indiscernible] line as well. So just go to our 2.0 products now. If I look at our vape pen portfolio, we took a very strategic staged approach in terms of which products we would bring to market when, we know the 510 category, which is our Trailblazer Torch at the bottom of the slide is the largest category.

So that was our first product launch. We shipped all three products in that platform out on December 17th and started shipments then and then we staged in the following based on the market size, so that disposable Edison pen by Feather, we launched right at the end of Q2 in February, and then subsequently in this quarter we've launched the PAX Era, that was a partnership with PAX on their platform, so that's more of the premium segment.

A couple of key things on those products, certainly, what makes the Edison pen unique for example is that it's breath activated or inhalation activated, which we've seen good response from in the marketplace. And with the PAX Era, we're one of only three companies of the six that have partnerships, who actually have PAX Era pods on the market right now. So – and our Trailblazer products has been very well received. Just going to our chocolates, I think certainly for us we've invested heavily in chocolates. We see in the edible, when you look at the edibles market, chocolates and soft chewables or gummies are the two leading categories. We felt we could really differentiate ourselves with our chocolate line.

We invested \$15 million in a world class leading automated production line, which is not only producing the chocolate, its packaging and its excise stamping, it's actually carving it. So again, this is one of the areas we've been able to continue on production with even reduced staffing in the facility. And for us we did not get a significant amount of products out in the previous quarter. But since that we've been able to supply all of the provinces in the country that have – that allow for edibles, so that our Edison Bytes, both milk and dark chocolate, are listed in all the provinces that allow for edibles and the same with our three vape pen portfolios, they are listed and available in – the PAX isn't available everywhere yet, but that is listed in all the provinces that allow for pay for us for products.

The last kind of near-term product for us in terms of the 2.0 marketplace is our proprietary nano-emulsification technology. So we have developed a dried powder

formulation, which based on the pharmacokinetics and molecular size we expect to have an initial absorption of 10 to 15 minutes of the cannabinoids, which will allow people to microdose and effectively really dose titrate in the right manner as they're utilizing the product.

I think for us this product has been a lot of excitement and interest in it, both from the public and the private retailers out in the marketplace. And this is one product though, however, that has been delayed because of COVID-19. So while we do have the equipment on site, we're not able to bring in the manufacturers to do the final certification process. We've not allowed anyone external to our facility other than in areas that are truly still a construction zones, which is – there's only a few small areas right now to finish off in Phase 5. So in an operational area, we're not allowing anyone external into the facility, so we can't get the final certification. So, we still don't have a timeline. It's very much dependent upon when we move to open that up, but we're excited about it and the opportunity it presents to the markets.

So, I'll dive in here just in terms of a little bit in terms of our liquidity and capital position. At the end of the quarter, we had \$41 million in cash and short-term investments. We did have – we were offside on – we did have a violation on one of the covenants on our debt facility, which is a more traditional debt facility with BMO and a syndicate of three other financial institutions because we'd have positive historical results, five to seven of the last quarters, we'd have positive adjusted EBITDA. The structure of that debt was at a lower interest rate as well as more traditional covenants that you would see in more traditionally structured companies. So we were able to get a waiver of the kind of area that we had a violation on the fixed coverage ratio covenant. Until the end of May, we're currently in negotiations with BMO and the syndicate to negotiate the – renegotiate the structure.

Well, there's no guarantee that we'll be able to renegotiate that structure. We're confident that working with BMO as the lead lender in the syndicate that we'll be able to work through that. At this point, there's still \$30 million that remains undrawn on the total term loan of \$115 million. And there's a revolver against accounts receivables of up to \$25 million. And again, while there's no guarantee, we're certainly confident if necessary we'll be able to draw the remaining \$30 million in the Q2 of last year. So in December we launched an ATM program, which was completed before the end of Q2.

So under that program, we had gross proceeds of approximately \$55 million and net proceeds of \$52.9 million. And then further to strengthen our balance sheet, we announced a new ATM program on April 22, which would allow us if necessary to give us some flexibility to issue shares for up to \$49 million, so these of course come under our base shelf that we filed last year for \$175 million. For us at this point, any ATM proceeds would be used to fund additional capital. I think we don't have near-term significant capital needs for us, as I said, we're at the tail end of our capital spend, but certainly there are areas where incrementally we can look to increase automation and improve efficiency. Certainly, it also gives us flexibility for general corporate purposes and to repay indebtedness overall.

Let's go on to the next slide here. So, I think, in summary, when you look at how we're positioned for the marketplace, we've seen a very strong response to our Rec 2.0

products. Certainly, what we saw in the early days on the 510 cartridges, for example, was that we had proven history of using a provider that a partner company that we have a consulting relationship with The Green Solution in Colorado, I've been using for years. So we knew that the hardware was very high quality and also we were not going to see leaking or failures and that was critical to the market. And we did see some repeat of significant consumer complaints out in the market with some of the hardware that was launched both in the disposable area as well as the 510 area.

And certainly in launching Feather and PAX Era now have been expanding to me that we can meet every market segments. And our chocolate portfolio where we've seen very good consumer response, I think one of the things that's interesting when we look at the overall current situation under COVID, we had done some market research, which we announced a couple months ago to talk about how consumers in Canada would utilize edibles. And one of the key things that we saw there was that edibles in general are more of an at home type of experience that people are looking for. So, the ability to continue to supply and meet that market even with what's been happening overall with curbside pickup or local delivery in provinces like Ontario and some stores being closed, I mean, edibles are certainly very highly desirable.

I think for us when we look at chocolates, we do have additional follow on lines that we will be launching on the bar side in the future and we're excited about those as well. We've built excellent partnerships across the space, both with our suppliers, both retailers, public and private. And on the regulator side as well we've been working closely with the government on a number of initiatives. And even when COVID-19 started, I think a number of things that we were one of the leading companies discussing with them on changes to the regulations temporarily to allow companies to operate more efficiently in the near-term.

We are focused very much on maintaining a lean cost structure. That's certainly been our history and improving cost management has been a big part of who we are. I didn't mention at the start, I did reference Derrick West, who joined us as CFO. Derrick has previously been CFO at a REIT, a publicly traded REIT and certainly had experience with – sorry that had experience both in the public and private market on the financial side, so proven CFO. He'd been on our board for a couple of years and had been chair of our audit committee.

And so he was able to join the company. And at the same time, Paolo de Luca, who's our Chief Strategy Officer, who had been CFO had shifted a pretty significant part of his role to focusing on strategy. So it was an opportunity to bolster our leadership team by bringing Derrick in and having Paolo take on full time responsibility for the CSO role. We do have significant inventory on hand that was one of the things that allowed us to do the temporary voluntary layoffs with our staff was that we can leverage not only the majority – a lot of the inventory we have certainly from an extract perspective as well as flower. And we are focused, as I said, on automation. And as a company we're very committed to remaining focused on the disciplined capital allocation.

So with that, I will just stop sharing my screen here. And I know Matt had to drop off, but we've got maybe a minute or so if there's any questions I'm happy to answer. Nope. Okay. Okay. Well, it doesn't look like there's any questions directly or without

Matt maybe we're not able to take in any questions, but again, thank you everyone for your time today and take care. Thanks.