



## This Pot Stock Has More Than Doubled in the Past Month: Is a Buyout on the Horizon?

### Description

One of the most anticipated IPOs in the cannabis sector took flight in early May. **Green Organic Dutchman Holdings Ltd.** (TSX:TGOD) started trading on the TSX on May 2. The company had a rough start, opening at \$2.50 — 31% below its IPO list price of \$3.65 per share. However, the company quickly rebounded and traded just shy of 4\$ for the next couple of weeks.

Then something questionable happened. Last week, the company exploded for a 55% gain and posted another 10% spike on Monday.

Why? That is a great question, and one the Industry Regulatory Organization of Canada (IIROC) has asked as well.

### Significant volume spike

Over the past week, more than 26 million shares traded hands. In the three weeks prior, the one-million share count was breached only once. It's no wonder the IIROC stepped in and asked for an explanation.

In its response late Monday, Green Organic Dutchman indicated that it did not know of any non-publicly disclosed activity that would result in a significant spike in volume and price.

Fair enough. I didn't expect it to say otherwise. However, the company added this interesting tidbit: "The company is in advanced negotiations with multiple international companies, one of which is a completely vertically integrated company. No definitive agreement has been entered into at this time and there can be no assurance that a transaction will be consummated."

The key admission is "*one of which is a completely vertically integrated company.*"

### Who is this mystery company?

What does vertically integrated mean? In simple terms, it refers to companies whose supply chains are

linked. In this case, it can reference a supply agreement with another marijuana company.

The most logical one is **Aurora Cannabis Inc.** ([TSX:ACB](#)). Aurora is an early Green Organic Dutchman investor and holds a 17.6% interest in the company. Aurora also has the option to gradually increase its stake to a controlling interest of 51%. Furthermore, Aurora agreed to buy 20% of the Dutchman's organic cannabis product as part of an earlier financing agreement.

No other company is as [vertically integrated](#) with Green Organic Dutchman than Aurora. Aurora has been extremely aggressive and holds the record for the [two largest takeovers](#) in the cannabis industry. As such, I would not put it past Aurora to make a move to acquire Green Organic Dutchman.

### Something is on the horizon

There are two historical cases that can be used to support that news is on the horizon.

**MedReleaf Corp.** ([TSX:LEAF](#)) started spiking 11 days before being bought out by Aurora. Much like Green Organic Dutchman, it also issued a release at the request of the IIROC. It even used similar wording to say that nothing was imminent. We all know how that played out.

**Canopy Growth Corp.** ([TSX:WEED](#)) started spiking prior to the official announcement of an investment by **Constellation Brands Inc.** ([NYSE:STZ](#)). Could a similar deal be in the works with Green Organic Dutchman? It's certainly possible.

At the moment, nothing justifies the current spike in volume and subsequent share price appreciation. Something is on the horizon.

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mlitalien

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