

Is This Canadian Pot Stock Going to \$0?

Description

After debuting in May of 2018, shares of **Green Organic Dutchman Holdings** (TSX:TGOD) have been on quite a ride. Within 30 days, the company's stock rose by a quick 100%. After a few more heavy runs and dips, shares now sit 50% below their IPO levels.

With a market capitalization of \$700 million, investors are still expecting a lot out of the company, especially considering Green Organic Dutchman has \$0 in revenue and lost \$11 million last quarter. If things don't accelerate in 2019, investors may finally dump the stock, removing its ability to sell high-priced equity to support growing losses.

Will Green Organic Dutchman turn into a zero or a hero this year?

Running on empty?

It's clear that 2019 will be a pivotal year for Green Organic Dutchman. While competitors like **Hexo** have multi-year contracts with the Canadian government — ensuring long runways of revenue totaling in the hundreds of millions of dollars — Green Organic Dutchman is in a tougher position.

Currently, construction is underway that will deliver 14,000 kilograms of marijuana per year. Wholesale prices now stand at around \$7,700 per kilogram, so Green Organic Dutchman's potential revenues could reach \$100 million. In contrast to its competitors, the company is focused 100% on organic production, meaning its wholesale prices could be priced at a healthy premium. In a recent survey, 57% of medicinal cannabis consumers in Canada said that "organically grown product is preferred."

The company's potential remains much higher than what it currently has under construction. The company recently funded a one-million-square-foot facility that will be able to produce more than 140,000 kilograms of organic cannabis every year. That could result in more than \$1 billion in annual revenues! Production should ramp up towards the second half of 2019.

Additionally, the company has a 49.18% interest in Jamaica-based Epican, which has licences for cultivation, extraction, manufacturing, and retail sales. Planned capacity is 14,000 kilograms per year, plus five dispensary locations in Jamaica. While production may not be huge, there should be ample opportunity in exporting branded Jamaican cannabis — an opportunity unique to Green Organic Dutchman.

Green Organic Dutchman has a bright future

By the start of 2021, Green Organic Dutchman expects to reach full production of 170,000 kilograms. It has strong access to the \$9 billion Canadian cannabis market, plus early footholds in promising areas like Jamaica, Poland, and Mexico.

The company is also spending millions on research and development, with plans for differentiated products like edibles, beverages, pet health, nutraceuticals, vapes, cosmetics, oils, and much more. While the market may look down on the company for losing \$11 million per quarter with \$0 in revenues, investors with a long-term perspective know better than to assume current conditions will be the norm.

While risks remain — like construction delays or pricing collapses — Green Organic Dutchman is making all the right moves to grow shareholder value. With shares at an all-time low, this looks like a great entry point for risk-tolerant investors.

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