



Green Organic Dutchman Holdings Ltd (TSX:TGOD) Is Ready to Dominate the CBD Market

Description

Last quarter, **Green Organic Dutchman Holdings Ltd** (TSX:TGOD) generated \$0 in revenue, creating an \$11 million loss, but I don't think that's the end of the road for the company. This year should prove pivotal to its future.

In 2019, Green Organic should bring 14,000 kilograms of marijuana online, which should end its streak of \$0 revenue quarters to a halt. Looking ahead, the company has a one-million-square-foot facility under construction that will add an additional 140,000 kilograms of production annually.

Green Organic is about to become a dominant force for organic cannabis — a competitive edge few others can match at scale. With most Canadian consumers preferring organic cannabis, the company is well-positioned in the THC market. But what about CBD?

Green Organic is building a global CBD machine

Last year, Green Organic acquired 100% of privately-held HemPoland. It paid \$7.75 million in cash, plus \$7.75 million in shares, which will be distributed three years after the deal closes. In one swoop, Green Organic attained a key asset to support its goal of building a global distribution network for CBD.

“Gaining market share with CBD products now, in the EU, with over 700 locations allows TGOD to establish immediate brand awareness across all verticals including infused beverages,” said CEO Brian Athaide. “This is an accretive acquisition and gateway to Europe’s 750 million people accelerating our plan of becoming the world’s largest organic cannabis brand.”

The company has high expectations for this initiative. Built into the acquisition terms is a \$12 million additional payment, but only if the business generates \$32 million in EBITDA by 2021.

If this target is reached, Green Organic would be trading at 25 times the EBITDA of its CBD business alone within 24 months. Given that this business is peanuts compared to its THC initiatives, it could be a hidden value generator that most of the market is ignoring.

Once EBITDA targets are reached, Green Organic's management anticipates investing an additional \$10 million into the business to scale research and development efforts, as well as continue to solidify its valuable global distribution network. Based on these expectations, it looks like this buyout will be beneficial to shareholders. "This acquisition will significantly add to the company's top and bottom line," noted Green Organic's CEO.

Pay attention to this buying opportunity

The marijuana industry has been incredibly volatile since its inception. In less than 12 months of going public, Green Organic's stock has seen prices as high as \$8 per share and as low as \$2 per share. Now closing in on the bottom end of that range, long-term investors are currently able to scoop up shares at bottom-of-the-cycle prices.

By 2021, Green Organic may have 170,000 kilograms of premium-priced organic cannabis under production, plus a cash flow positive CBD business that's capable of tapping a global market. With a strong foothold in the \$9 billion Canadian cannabis market, plus exposure to other regions like Jamaica, Europe, Mexico, and the U.S., this is the buying opportunity you've been waiting for.

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