



## Is The Green Organic Dutchman Holdings (TSX:TGOD) a Buy?

### Description

The number of cannabis companies has ballooned in recent years. With the stigma around marijuana evaporating before our eyes, and legalization of various uses of pot following suit, there are literally hundreds of companies looking to get their foot in the door.

No doubt such a high-risk high-reward industry will produce both winners and losers. Let's consider whether **The Green Organic Dutchman Holdings Ltd** (TSX:TGOD) is likely to fall into the category of the winners.

### Core operations

TGOD prides itself as an organic marijuana grower. The company uses "certified organic soil" to produce cannabis that is "clean, natural, and free of synthetic fertilizers and chemicals." This differentiation strategy has its pros. TGOD's process, which supposedly results in better finished products, could allow the company to charge premiums at the point of sale.

In search of substitutes for dried cannabis products (which yield perhaps the lowest margins among its peers), the Ontario-based firm is also planning to enter the cannabis-infused beverage market. The process TGOD goes through to grow its weed, though, is very expensive. This could undermine the company's attempt at earning high margins with its organically grown products.

### Production capacity

To stand out in a crowded field of competitors, the ability to produce more than its rivals is one of the tools in the belt of cannabis companies. As things stand, **Aurora Cannabis** ([TSX:ACB](#))(NYSE:ACB) is projected to be the leader in this category, closely followed by **Canopy Growth Corp** ([TSX:WEED](#))(NYSE:CGC).

The two giants who collectively share about 50% of the Canadian cannabis market are projected to produce around 700,000 kilograms and 525,000 kilograms, respectively. In this department, TGOD

isn't lagging too far behind. The company is set to produce about 150,000 kilograms by next year. That's enough for TGOD to be comfortably in the top 10 cannabis companies in terms of production capacity.

## International operations

For pot companies hoping to stay on top of the food chain, it is essential to have solid international footprints, something TGOD has done a decent job of. In January, the firm announced an agreement with Queen Genetics/Knud Jepsen A/S in Denmark. With this venture, TGOD will be hoping to expand throughout Europe. This isn't TGOD's first expansion to the Old Continent. Last year, the company invested \$35 million to acquire Poland-based CBD company HemPoland.

Further, TGOD purchased 49.18% interest in Epican, a Jamaican cannabis company with cultivation, extraction, manufacturing and retail distribution licenses. At the time, the acquisition added 14,000 kilograms of annual production capacity for TGOD. Since then, the Ontario-based firm has made significant progress in expanding its cultivation and obtaining additional distribution channels in the region. TGOD's operations expand to Mexico, a country that is predicted to be next in line to legalize recreational marijuana. Overall, TGOD's international expansion isn't bad, but it [isn't up to par](#) with the leaders in this category.

## Financial results

Perhaps the biggest knock against TGOD is its income statement. While most cannabis companies aren't profitable yet, they still post revenues, and in some cases, very strong revenues. TGOD has consistently failed to even record a revenue, except for last year's fourth quarter.

However, the company's revenue figure was substantially lower than that of its competitors. TGOD also posted widening operating and net losses. The company's net loss has increased every quarter since Q2 2017. TGOD currently trades at 31 times future earnings, though, which is a relatively low figure by industry's standards.

## Should you buy?

No doubt TGOD has several things going its way. The company's process of growing and cultivating weed is unique in the industry. TGOD also boasts a high production capacity and an international presence. However, the lack of revenues (let alone profits) is a worry. I would stay away from TGOD until the company shows that it can at least consistently post strong revenues.

### CATEGORY

1. Cannabis Stocks
2. Investing

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2. NASDAQ:CGC (Canopy Growth)

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pbakiny

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