



Investor Alert: Rare Buy Opportunity as Aurora Cannabis (TSX:ACB) Disposes TGOD

Description

Aurora Cannabis ([TSX:ACB](#))(NYSE:ACB) completely disposed its remaining position in **Green Organic Dutchman Holdings** (TSX:TGOD) by selling 28.8 million shares to a syndicate of local banks in an aftermarket block trade on Tuesday at a 14.5% discount to the closing market price of \$3.51 on the stock for the day.

TGOD stock fell 16.5% on Wednesday and touched a low of \$2.90, as investors digested the news of the significant sale while also taking a cue from the largest single investor that the shares can actually be valued lower by the big 10% stake investor. Could this could be a big buying opportunity on the beaten-down Dutchman?

This was just a block trade

The deal price probably wasn't indicative of best efforts at a fair valuation.

The 28.8 million trade was indeed a too large one-time trade for the exiting ACB investor to directly offload onto the public market. This was a big block trade that required substantial trading volume for it to settle and could have caused massive selling pressure. Considering that the 62-day average trading volume on the ticker was just 1.3 million shares per day, Aurora's trade was 22 times bigger than that average.

A direct spot market trade could have sunk the stock into a flush crush due to massive selling pressure.

If the seller needed to quickly exit the position, then there was no better way the trade could have happened on the public market besides shopping around for big buyers in a negotiated deal.

Hence it could have been prudent for the seller to accept a small discount on such a large block sale.

Maybe there isn't much the market should read from the large stake disposal, especially as far as the price discount taken is concerned.

The Dutchman's stock should be rallying instead

It's not like the Dutchman had done anything bad that deserved any rushed sale on its shares.

The company had, on Tuesday, the very same day, received an important cultivation licence from Health Canada to go ahead and grow premium organic cannabis on its recently completed Hamilton, Ontario facility. This is good news, and shares should be rallying instead as Canadian operations ramp up to generate needed revenues and operating cash flows.

I would think that the big seller is in serious need for some cash, and it waited for a positive breaking news to sell, and that was brilliant. You sell the good news.

But there could be a negative angle to all this

Usually, a large sale by a once strategic investor is viewed as a negative. This could be a sign that the seller has heard or seen something unpleasant on the investee or has determined that shares were overpriced based on fundamentals (remember [there's a respected former investment banker](#) at ACB), or the strategic investor doesn't see value in continued involvement with the young organic marijuana company, or there are other special circumstances.

But there are new institutional buyers for the shares, and these are syndicated bankers who have pledged \$86.5 million on the disposed stake. Bankers don't usually buy crap.

Since the seller bought another premium organic cannabis grower Whistler Medical Marijuana Corporation last year, walking away from TGOD was just a matter of time. The company no longer needed to buy organic cannabis from the Dutchman. Taking an 82% capital gain on shares bought at \$1.65 in a private placement in January last year was still a nice deal.

Buy the dip?

The Green Organic Dutchman has literally been unleashed from a 2018 investor rights agreement that mandated it to sell up to 20% of its annual production to the strategic investor. The company stands to enjoy full margins on all its Canadian grown product now, and that's a good thing.

I doubt if the small firm wanted to rely on Aurora's "help" to sell a fifth of its production, and its shares may not deserve the 16.5% beating received on Wednesday. This could actually be an opportune time to double down on the stock if one has been bullish on this emerging organic marijuana giant.

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