



## Is it Time to Go Bottom Fishing With This Cannabis Stock?

### Description

**Green Organic Dutchman** (TSX:TGOD) was listed as a public company in April 2018. The euphoria about cannabis legalization in Canada drove TGOD stock from \$4.12 in April 2018 to \$10.2 in September 2018. However, cannabis stocks have experienced a massive correction in the last 12 months.

Now, TGOD is trading at \$2.95 per share, which is 35% above its 52-week low and 71% below its 52-week high. Now, with the next wave of edibles legalization just a few days away, it is possible for cannabis stocks to move higher again, as investor optimism rises. So, do you buy TGOD shares? Let's have a look at the company's revenue and earnings growth as well as its valuation to see if it's a good buy at the current price

### Revenue growth is estimated at a staggering 1,843%

Analysts expect TGOD to post revenue of \$36.51 million in 2019, a year-over-year growth of 1,843%. Sales are then estimated to rise by 515.5% to \$224.71 million in 2020. While still unprofitable, TGOD will be improving the bottom line at a robust rate.

Analysts expect the net margin to improve from -162% in 2019 to 19.2% in 2020. Its EBITDA is estimated to rise from -\$43.9 million in 2019 to \$106 million in 2021. TGOD is valued at \$752.1 million, which is 21 times its 2019 sales and in line with peer cannabis companies.

### Why will TGOD become a major cannabis player?

Green Organic Dutchman has raised \$465 million to date with a focus on rapid expansion. It has planned manufacturing capacity of 219,000 kg. The company has a 1.47 million square feet of hybrid greenhouses and processing facilities under construction in Canada. It is planning to have 167,000 square feet of manufacturing capacity in Europe and Jamaica.

Similar to other cannabis companies, TGOD will focus on international expansion to drive sales. Its

currently focused on gaining traction in Jamaica, Denmark, Poland, and Mexico. TGOD has secured licensing deals in Canada and international markets and has a vibrant consumer-driven product portfolio.

The company has valued the medical market at \$758 million and the recreational market at \$5.7 billion.

## Strong distribution network

TGOD has partnered with Velvet Management Inc., which is a leading cannabis sales and marketing agency. Velvet Management was established by Philippe Dandurand Wines, which is the largest wine distributor in Canada.

TGOD recently completed its first supply order to the [Ontario Retail Cannabis Corp.](#) It has supply agreements with The BC Liquor Distribution Branch and The Alberta Gaming, Liquor & Cannabis Commission.

The biggest driver for TGOD sales will be its entry into the U.S. markets next year. It has partnered with billion-dollar ingredient heavyweight **Symrise** to create Califormulations which is a U.S.-based beverage innovation company. Symrise provides companies with beverage commercialization support, technical services, and contract manufacturing co-ordination services.

It has also partnered with Jamaican market leader Epican Medicinals. The latter is a vertically integrated company with licences for cultivation, extraction, manufacturing, and retail distribution of cannabis products.

## The verdict

While it might seem like TGOD is just another unprofitable high growth cannabis company, it is growing sales at an astounding rate via partnerships. It is expected to be profitable in the near future. TGOD is a good bet, as it seems that cannabis stocks should move higher significantly, at least till edibles are legalized.

Analysts have a 12-month price target of \$5.23 for TGOD. This indicates that the stock is trading at a discount of 77% to the average target estimate.

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