This Is the Cheapest Pot Stock You Can Buy Today

Description

If you want to buy the cheapest cannabis stock on the market with the biggest upside, **Green Organic Dutchman Holdings Ltd.** (TSX:TGOD) is the clear winner.

Next year, analysts anticipate the company generating $169 million in sales. At the current share price, the stock trades at just 2.9 times forward sales. This is a *huge* bargain.

Canopy Growth Corp, **Aurora Cannabis Inc**, and **Tilray Inc** trade at roughly *three times* the valuation. **Cronos Group Inc** trades at nearly *10 times* the valuation.

Of course, cheap stocks are often cheap for a reason, but Green Organic is being priced so low that the risk-reward payoff is almost too good to pass up.

Risk is opportunity

This September, Green Organic has faced mounting headwinds. Namely, Aurora Cannabis liquidated its 10.5% stake in the company. Before the deal was cancelled, Aurora was expected to purchase as much as 20% of Green Organic's pot production. Now, Aurora will source its organic cannabis internally.

While that created selling pressure, the biggest concern surrounds Green Organic's lack of distribution infrastructure.

"This strategic partnership between Aurora and TGOD is mutually beneficial in that it accelerates TGOD's market access and penetration through technology and services, as well as through access to capital and distribution channels," noted Aurora's CEO when the deal was originally announced. All of those benefits have evaporated.

Today, the market is pricing TGOD stock as if its growth path is permanently hindered. That's far from the case, and betting on the contrarian outcome could result in major profits.

Be bold

In the coming months, conditions may actually turn *worse* for Green Organic. The company’s market cap is down to just $675 million, which is more than 90% smaller than its larger peers. With the termination of the Aurora agreement, analysts are starting to sour on the stock.

Investors and funds may ditch shares for more near-term opportunities. Its diminutive size may divert much-needed attention.

If a big down move occurs, be ready to strike. Despite the fear-mongering headlines, the underlying business continues to improve at breakneck speed. Green Organic’s Ancaster facility is expected to reach 17,500 kilograms of production per year by December.

Its Valleyfield project should also hit a 65,000 kilograms per year pace, ramping to 185,000 kilograms per year in 18 months.

The market is applying a big discount to shares considering the company remains in pre-production. Once production hits, the discount should narrow, but will likely persist until Green Organic can secure ample wholesale and retail demand.

Those are certainly major hurdles. But if those hurdles are overcome, there’s no reason shares wouldn’t trade in-line with the industry. If that occurs, the stock would re-rate higher by 300% to 1,000%.

The valuation framework is already in place, and it’s now up to Green Organic to execute. Investors and analysts alike aren’t expecting much out of the company, but upside is usually highest when expectations are at their lowest.

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