



The Green Organic Dutchman (TSX:TGOD) Stock Lost 40% Last Week

Description

Cannabis stocks continued to bleed in last week. While **Horizons Marijuana Life Sciences ETF** fell 14% last week, top cannabis stocks such as **Aurora Cannabis** and **Canopy Growth** were down 16.8% and 15.9%, respectively. **Hexo** and **Aphria** too declined by 38% and 13%, respectively.

Comparatively, **Green Organic Dutchman** (TSX:TGOD) slumped close to 40% in the week ended on October 11, 2019. So, what has driven the stock lower?

TGOD is looking to issue bonds for capital expenditures

On October 9, TGOD stated that it is considering alternative sources of raising capital such as issuing bonds after talks with commercial banks failed to go through. TGOD's press release stated, "As previously disclosed, the company had been engaged in discussions for ordinary course commercial bank facilities and equipment leasing. However, due to changing market conditions, those sources of financing have been unavailable on acceptable terms within the timeframes required, leading the company to commence a review of additional alternatives."

It is the first time TGOD is looking to raise debt and ended the last quarter with a cash balance of \$68.72 million. The debt will be used to ramp up production facilities of its Ancaster and Valleyfield facilities.

TGOD also confirmed that the construction of the Ancaster facility is almost complete, and it has been licensed by Health Canada. It also has supply agreements with several Canadian provinces in Alberta, Ontario, and British Columbia and will be expanding its national footprint with production increases in 2020.

Now, the company is looking to build its product portfolio to be ready for Cannabis 2.0, as Canada is set to legalize cannabis vapes, edibles, and concentrates in this week. These products will be ready for retail customers by December 2019.

However, the stock lost close to 20% on October 9 after TGOD stated that it would revise the

construction schedule at Ancaster and Valleyfield if it is unable to raise debt funding.

Hexo's guidance led to cannabis mayhem on Thursday

Several top cannabis stocks lost millions in market value after [Hexo provided its preliminary results](#) for the fiscal fourth quarter of 2019 (ended in July) on October 10 that was way below estimates. Hexo pegged sales between \$14.5 million and \$16.5 million in the July quarter, while analysts estimated revenue at \$25.28 million.

Hexo withdrew its 2020 forecast as well due to slower roll-outs, pricing pressure, and a delay in government approval for cannabis derivative products. TGOD lost 22% driven by Hexo's guidance.

Currently, TGOD has a market cap of \$327.78 million, and the stock was valued close to \$2 billion at its peak in September last year. TGOD stock is trading 80% below its 52-week high. While analysts and investors were expecting cannabis stocks to move higher with the second wave of legalization in Canada, it has not been the case so far.

The vaping scandal drove shares lower last month. Aurora Cannabis's less-than-encouraging quarterly results also did not help. There is grave concern over the [oversupply of marijuana products](#), while the industry continues to be impacted by illegal sales.

Though several pot companies are expanding manufacturing facilities and increasing production, is there enough demand to sustain this growth? The growth and revenue estimates of cannabis stocks are set to be revised lower and this will also impact the profit margins of companies.

When will the cannabis stock index bottom out?

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araghunath

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