



The Green Organic Dutchman (TSX:TGOD) Loses Considerable Value After Q3 Results Disappoint

Description

Shares of cannabis company **The Green Organic Dutchman** (TSX:TGOD) are trading significantly lower today. The company announced its third-quarter results on November 14 after the market close.

It reported net revenue of \$2.525 million, a year-over-year rise of 34.3% compared to sales of \$1.88 million in the prior-year quarter. Its earnings per share fell to -\$0.07 in the September quarter compared to -\$0.04 in the prior-year period.

Analysts estimated the firm to post sales of \$9.58 million with EPS of -\$0.04 in the third quarter of 2019. As TGOD failed to meet consensus estimates on sales as well as earnings, the stock is trading lower by 8.5% in early market trading today.

The company continues to remain unprofitable. In Q3 TGOD's gross profit stood at 62.6%. However, its sales and marketing expenses totaled \$3.34 million, which were 132% of total sales. Further, general and administrative expenses stood at a mammoth \$13.33 million in the September quarter, up from \$5.68 million in the prior-year period.

This meant TGOD's operating loss stood at \$20.1 million, of which \$4.3 million was related to non-cash stock-based compensation, depreciation, and amortization.

What were the key highlights for TGOD?

While the company missed consensus estimates in Q3, TGOD continues to focus on reducing losses going forward. Last month, it unveiled a new construction and operating plan for the Valleyfield manufacturing facility.

TGOD aims to demarcate the construction in its Valleyfield facility into smaller phases. It also invested \$104 million in capital expenditures in the last quarter for construction at Ancaster and Valleyfield. TGOD received approval from Health Canada to expand operations in the Ancaster facility.

As part of TGOD's strategic plan, the company aims to reduce operating losses by at least \$3 million per quarter in 2020. This will mean the company will be able to post a positive operating cash flow by the end of the second quarter of 2020.

TGOD has entered the recreational cannabis market with a pilot test on Ontario that resulted in sales of \$600,000 in Q3. It will continue to scale production to target the recreational market as well as prepare for the launch of Cannabis 2.0 later this year, as regulatory approvals for cannabis extracts topicals and vapes are in place.

The company CEO Brian Athaide stated, "Q3 marked TGOD's entry into the recreational cannabis market with a small pilot in Ontario. We were thrilled to witness such positive feedback on product quality and packaging from retailers and consumers across the province. Based on the initial response, demand for high-quality flower is strong and TGOD is well positioned to capture the premium organic segment which is significantly underserved."

TGOD is currently trading 86% below the 52-week high

We have seen the cannabis sector has been decimated since October 2018 in terms of market returns. TGOD is no exception. The stock has lost close to 90% in market value in the last few months.

As cannabis is a highly regulated industry, the retail store openings are taking longer than expected. This has resulted in lower-than-expected demand and higher inventory levels for TGOD and peers. At the end of September, TGOD's inventory was valued at \$5.81 million — a rise of 48% year over year.

The cannabis industry is in a nascent stage, making it difficult for companies to raise debt capital. TGOD stock fell over 50% in October 2019 after it failed to [raise the required debt funding](#).

However, yesterday the firm announced it signed an agreement to raise up to \$103 million in debt. These proceeds will be used for the completion of its Ancaster and Valleyfield facilities. While cannabis companies continue to expand manufacturing facilities, they still have to contend with a slow rollout of retail stores and competition from the illegal market.

This has led to high inventory levels and lower-than-expected sales. TGOD stock fell 9% yesterday as well after **Canopy Growth** reported earnings below estimates dragging several stocks lower.

CATEGORY

1. Cannabis Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/07/06

Date Created

2019/11/15

Author

araghunath

default watermark

default watermark