



Green Organic Dutchman (TSX:TGOD) Stock Is Now Too Cheap to Ignore!

Description

Green Organic Dutchman Holdings (TSX:TGOD) was once one of the best-performing cannabis stocks on the market. In its first 30 days of trading, shares nearly doubled. In 2018, it surpassed a \$1 billion market cap.

This year, the story reversed course. Since March, Green Organic stock has shed 80% of its value. Of course, most other cannabis stocks have been hit hard, but Green Organic has led the industry lower.

Today, the company has a market cap of just \$200 million. That's despite expectations for \$90 million in revenues next year, which would represent 800% year-over-year growth.

Green Organic shares are priced at the low end of the industry, with expectations near rock bottom. Even a [small surprise](#) to the upside could send shares soaring. We'll talk about the risks in a moment, but it's clear that this company could be the best-performing pot stock in 2020.

A dramatic fall

The momentum behind Green Organic's initial rise was fueled by a key partnership with **Aurora Cannabis**. Late last year, nearly every pot producer was scrambling to secure valuable long-term allies. Green Organic's deal with Aurora provided two key advantages.

First, Aurora would help Green Organic design and build its greenhouse infrastructure. Aurora had deep experience constructing grow facilities and even had a consulting arm dedicated for this purpose. Second, Aurora agreed to buy 20% of Green Organic's pot production at wholesale prices. This secured early demand for Green Organic but also provided social validation to the rest of the market.

This year, however, Aurora cancelled the agreement. Instead, it would source its organic cannabis needs internally. Of course, Green Organic lost a large customer, but the deal termination also shed light on potential demand for organic cannabis. Many analysts believed Aurora simply didn't need to purchase 20% of Green Organic's output to satisfy the market's demand for organic pot. If true, Green Organic may be overproducing by a factor of five or more.

Several cannabis markets in North America are already facing oversupply issues. In most cases, local prices have plummeted. If Aurora thought just 20% of Green Organic's production was more than enough to meet market demand, Green Organic could face steep pricing pressure in the year to come.

Here's the bet

Everyone knows the bad news. Green Organic has zero major customers lined up, while organic cannabis production could be massively oversupplied in 2020. There's an argument, however, that all of the bad news has been *more* than priced in. Even if 2020 is a tough year, TGOD shareholders could still win given the overly depressed stock price.

Even if prices fall, organic output still fetches a 55% premium versus conventional cannabis. Additionally, surveys show that more than half of both medicinal and recreational pot users prefer organic strains. Set to become the largest organic producer in 2020, Green Organic will have a stranglehold on the market.

Importantly, two major grow facilities are set to come online in 2020, helping the company produce roughly 21,000 kilograms of pot next year. Management expects to be cash flow positive by the second quarter. That may eliminate any need for additional financing or dilution.

Additionally, the company is set to release a portfolio of value-add products this December, which should expand its reach while protecting pricing power. This portfolio includes new verticals like edibles, vapes, health aids, and beverages.

There are risks, but the upside is huge if Green Organic can execute in 2020. Shares trade at an 80% discount to its peers on both an EV/revenue and EV/EBITDA basis. The stock could more than double next year and still be another double away from the industry's average valuation. That's simply too cheap to ignore.

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