



## 1 Cannabis Stock That Could Be in Danger of Running Out of Money

### Description

Pot stocks are doing a bit better this year than in 2019, but that, unfortunately, isn't saying much. It also doesn't mean that investing in cannabis is any safer than it was several months ago. There's arguably even more risk in the industry now that a [recession](#) all but a formality. People will have less money to spend on discretionary expenses like marijuana. And without strong revenue growth this year, there could be a lot more red and cash burn for many cannabis companies. For some, they could run out of cash entirely.

One stock that cannabis investors should keep a close eye on is **The Green Organic Dutchman Holdings** (TSX:TGOD). The pot producer released its first-quarter results last month, and they weren't all that encouraging.

### TGOD's struggles continue

In Q1, TGOD generated \$3.1 million in revenue — which is less than the \$3.3 million that it reported in the fourth quarter. The company also reported a loss of \$73.4 million, as it incurred multiple impairment charges that weighed down its financials. But with a \$15.3 million loss already at the operational level, the pot stock was going to report a loss with or without the impairments.

TGOD's incurred an operating loss of \$15 million or more in each of its past six quarterly results.

A more concerning issue for TGOD investors, however, is the company's rate of cash burn. In Q1, the pot producer used \$13.1 million to fund its operating activities. While that's down from the \$22.5 million TGOD burned a year ago, it's still a dangerously high amount given that its cash and cash equivalents on March 31 totaled just \$4.8 million. During the quarter, TGOD raised \$6.7 million in cash from issuing debt. And its bills are only continuing to pile up.

Its current assets as of the end of March were just \$32.5 million — less than the \$39.3 million that it had in accounts payable and accrued liabilities. Those are bills that the company's going need to pay in the near future. Its loans total \$22.9 million, which is 36% higher than the \$16.9 million that TGOD reported a year ago. It's not a good sign when your debts are growing at a higher rate than your sales

(Q1's sales were up 27% compared to the same quarter last year).

With lots of cash burn and mounting debt and bills to be paid, it's going to be a tough road ahead for TGOD.

## Bottom line

For a stock that's down around 90% in 12 months, it's no surprise why TGOD is where it is today given its low sales and consistent losses.

While the company may still be able to raise money, that's only going to get more challenging to do as its share price continues to fall. With many other pot stocks to choose from, investors are better off investing in companies that have more cash and [stronger sales numbers](#).

TGOD is a high-risk buy in an already risky industry. There's just no reason to get excited about the stock given its track record and the challenges that lay ahead for the company. And there's a real danger that it'll run out of money and become the industry's latest casualty.

### CATEGORY

1. Cannabis Stocks
2. Investing

### POST TAG

1. Editor's Choice

### PARTNER-FEEDS

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

### Category

1. Cannabis Stocks
2. Investing

### Tags

1. Editor's Choice

### Date

2025/08/18

### Date Created

2020/06/11

### Author

djagielski

default watermark