

The Green Organic Dutchman Holdings Ltd

13:00 12 Dec 2018

The Green Organic Dutchman continues blazing a trail into international cannabis markets

What's in a name? That which we call The Green Organic Dutchman (TSX:TGOD, OTCQX:TGODF) wraps up everything you need to know about the cannabis company in a neat package. Established by Dutch founders, the company grows organic cannabis in high-technology, eco-friendly and sustainable facilities.

The company acknowledges that the moniker is a bit of a mouthful but touts its quirkiness as it sets it apart from the budding cannabis crowd.

Certified organic cannabis

The Green Organic Dutchman, commonly referred to as TGOD, is one of only three certified organic cannabis producers in Canada. Its cannabis is grown in living soil without the use of synthetic pesticides, herbicides or fertilizers.

"Our respect for the land is evident in every step of our production process, and we are committed to providing premium products for both our medical and future recreational customers," said CEO Brian Athaide, a former Procter & Gamble Co (NYSE:PG) exec with more than 25 years of experience.

READ: The Green Organic Dutchman partners with Velvet Management to distribute cannabis across Canada

The cannabis is not subject to irradiation, a process that can extend the shelf life of foods by reducing the number of microorganisms that cause spoilage, but can also affect the terpene profile of the cannabis. Terpenes refer to the aromatic organic compounds in the plant responsible for scent and flavor.

TGOD extracts the cannabis oils found in its products using carbon dioxide, a process that doesn't involve solvents or additives that can be harmful to the environment.

Striving for LEED and eGMP certification

Leadership in Energy and Environmental Design, or LEED, is a green building certification system awarded to buildings that save energy and reduce carbon dioxide emissions.

Once completed, TGOD's purpose-built hybrid greenhouses will be among the world's largest LEED-certified facilities and stand as a testament to TGOD's commitment to being green and reducing its environmental impact.

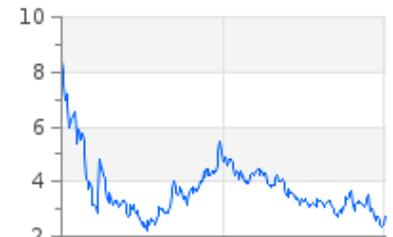
The facilities are being built to meet eGMP certification, the European Union's standard for good manufacturing practice, which would allow TGOD to expand into the European market.

TGOD uses on-site wells and fresh rainwater reservoirs at its facilities with 90% of the water collected and recycled. Supplemental high-efficiency LED lighting in its grow rooms, as well as staggered lighting in its facilities, reduce energy consumption and heat while upping the operating efficiency.

Price: \$2.69

Market Cap: \$740.95 m

1 Year Share Price Graph



September 2018 March 2019 September 2019

Share Information

Code: TGOD

Listing: TSX

52 week	High	Low
	8.83	2.19

Sector: Cannabis

Website: tgod.ca

Company Synopsis:

The Green Organic Dutchman produces Farm Grown, Pharma Grade Organic Cannabis. The Company grows high quality, organic medical cannabis with sustainable, all natural principles. TGOD's products are laboratory tested to ensure patients have access to a standardized, safe and consistent product.

action@proactiveinvestors.com

The company's community farm highlights the friendly in eco-friendly, producing more than 3,000 pounds of fruits and vegetables, which were donated to the local Hamilton food share.

Going organic

Constructing a cannabis facility is no easy task, but an organic cannabis facility has added challenges. TGOD's facilities are a hybrid of an indoor operation and a greenhouse.

While the capital expenditure is about 20% greater for an organic cannabis facility, about C\$220 million to build the two Canadian facilities, the operating costs are lower.

The company spent a total of C\$33 million in capital expenditures on the construction of its facilities in Hamilton, Ontario and Valleyfield, Quebec in its third quarter while operating expenses totaled C\$10.1 million.

The use of natural light lowers the need for the supplemental energy sources and its Ontario property includes a natural gas power plant, further reducing the cost of operation.

READ: The Green Organic Dutchman outlines plans for a spin-off as it looks to expand internationally
TGOD's Valleyfield facility is located in Quebec, home to the lowest power rates in Canada, giving the company a competitive advantage.

More importantly, the organic cannabis cultivated in the hybrid facilities can be sold at a 34% premium on average in the industry.

A 2018 Hill & Knowlton research study found that 57% of Canadian medical cannabis consumers and 43% of recreational cannabis consumers prefer organic cannabis.

ECOCERT Canada, a third-party independent global certification body, supervised the process over the course of nine months to ensure it was organic every step of the way.

Industry heavyweight Aurora Cannabis Inc (NYSE:ACB) is TGOD's single largest shareholder, taking 15% ownership while maintaining the option to purchase up to 20% of the organic product produced in the Canadian facilities.

The Dutchman

Dutchman, the final element of the company's name, serves a dual-purpose.

Founded in 2012 by Scott Skinner and Jeanette VanderMarel, both of Dutch descent, the cannabis company aims to embody the culture and authenticity of Amsterdam, a European city synonymous with cannabis culture.

Amsterdam's iconic windmills are featured in the company's logo, branded on everything from its eco-friendly packaging to shirts, hats and even a humidifier.

To be on Amsterdam's level, the company has put quality assurance at the forefront, delaying sales of its cannabis until it can provide a consistent, high-quality product.

Danny Brody, vice president of TGOD's investor relations, stressed the importance of retaining customers through top-notch service as the producer options expand and negative online reviews have the potential to quickly take a toll.

"In an industry where patients are transient and you can switch from one [licensed producer] to another, I guarantee you it is a lot harder to get a patient back than it is to get a new patient," said Brody in an exclusive interview with Proactive Investors.

Ramping up

The company has been cultivating on a small scale since 2016 at its Ontario site for research and development purposes, but its 7,000 square foot facility only has a growing capacity of about 1,000 kilograms, which is able to supply

between 200 and 300 patients.

TGOD has been building out its facilities in Ontario, Quebec, and Jamaica in order to produce organic cannabis on a large scale. The company expects its facilities to reach combined production of 170,000 kilograms sometime in 2020.

The company has raised more than C\$450 million to fund both its domestic and international plans.

"We have de-risked the capital side of our business and with our focus now on delivering medical and recreational sales in Canada and internationally, we expect to drive significant value for shareholders in 2019 and beyond," stated Chief Financial Officer Sean Bovingdon in a recent filing.

Internationally, the company produces cannabis in Jamaica and industrial hemp in Poland, including CBD oil and other hemp-based products.

While the company isn't yet selling in Canada, sales are on the books in Europe via its HemPoland and CannabiGold brands. TGOD owns a 49% interest in Jamaica by way of its partnership with Epican Medicinals with production expected to ramp to 14,000 kgs in the first half of 2019.

Gross profit totaled C\$305,000 in the third quarter, close to double the C\$179,000 reported a year ago. Total assets in the third quarter amounted to \$360.8 million, a nearly fourfold increase compared with the \$96.9 million reported in the previous year's third quarter.

The cannabis company ended its third quarter in September with around C\$300 million in cash and cash equivalents on hand.

TGOD expects the majority of its revenue to be generated from its domestic facilities that are expected to come online in 2019.

Expansion

TGOD has plans for a spin-off company as it seeks out more international opportunities.

Known as TGOD Acquisition Corporation, the subsidiary, which will trade on the Canadian Securities Exchange, will be used to take on international opportunities that don't quite fit into the cannabis company's current business plan.

"There are no cheap founder shares. There's no free insider paper. This is truly the first seed-level round and we're giving first crack at it to all TGOD shareholders, kind of as a thank you," said Brody.

The company also plans to invest in a sidecar \$10 million private placement to get the subsidiary off the ground.

TGOD has inked a handful of joint ventures as it looks to forward its expansion.

Its recent joint venture with a Mexican pharmaceutical company has opened the door to Latin America with sales expected to begin during the first half of 2019 to over 7,600 retailers. The product will be supplied via its Jamaican partnership.

The company has also entered into a supply partnership with Velvet Management Inc, an affiliate of Philippe Dandurand Wines, to distribute its organic cannabis coast-to-coast.

TGOD is confident that its partnership with one of the largest wine distributors in Canada will bolster its sales and distribution to provincial liquor and cannabis boards across Canada.

Blazing a trail forward

TGOD will take its first step towards serving the medical cannabis community this January, launching its product to 200 select patients in a program called "Grower's Circle."

Its Ontario facility is set to be completed in the first quarter of 2019 with the first harvest expected in the first half of the year. Its Quebec facility will be ready soon after and scale up production throughout the year.

The company confirmed that it will be ready to sell to Canada's medical and recreational markets in 2019.

Its products are expected to be available online in recreational markets by the second quarter of 2019.

Beverage division in the works

TGOD's latest development is a nearly 300,000 square foot facility on its Quebec property capable of producing 40,000 kilograms of organic cannabis for use in its beverage division.

The company said it's critical to invest and develop novel and unique products in the infused beverage category with the possibility of legalization of edibles in Canada on the horizon.

"Dried flower is just the beginning, we start with our premium organic cannabis and plan to infuse it into a variety of novel products that command higher margins," said Brody.

The division has gathered a team of scientists to work on formulations for beverages, looking to tackle the problem of inconsistent dosing rampant in edibles.

Brody said the company is working on being able to measure the effect of an edible similarly to a beer or a glass of wine, hoping to spur mass-scale adoption in the recreational market.

"We're just going to keep spreading TGOD all around the whole world. So look for more joint ventures. Look for more investments. Look for more potential acquisitions of international companies," said Brody.

Contact Lenore Fedow at lenore@proactiveinvestors.com

Follow her on Twitter: [@LenoreMariee](https://twitter.com/LenoreMariee)

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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