



## **“1 Stock To Ride The Green Gold Rush of 2014-15”**

**Terra Tech Corp.**

**Symbol: TRTC**

Disclaimer: Penny/microcap stocks carry a high amount of risk. Any opinions in this report are not to be considered as investment advice. This report should be considered as entertainment value alone. You assume all risk if you decide trade this stock.



### Introduction

Stock analysis is often like playing a game of 20 questions. The objective is to be a detective by developing and answering the most important questions to that stock. What is their principal business? Is management focused on the company's objectives? Is the company using its financial resources properly to develop its financial objectives? What are the revenues and growth aspects like? Does the company support an investment at this time? Is it a good buy or a strong sell?

When dealing with TerraTech Corporation or a similar microcap, these are the questions that have to be answered to confirm a buy.

It is my opinion that this stock has tremendous potential, but also has big risk, as you'll see in this report. This stock should be viewed, in my opinion, as something for a very speculative bet on the next potential boom in America...which of course is the legalization of Marijuana.

The Charts (with a few notes)





### Company History and Operational Objectives (the negative with the positive)

TerraTech is a relatively new company with a most interesting, if not unique, corporate history. The company was founded in 2008 in Nevada as a software developer for Voice over Internet Protocol (VoIP). By 2010 the company had transformed itself from a software company into a Farming Technology company, through the purchase of its wholly owned subsidiary GrowOp Technologies. GrowOp was prior to and is now the manufacturer of farming technology systems and devices, mostly hydroponic technology. In 2013 the company purchased Edible Garden, a produce company that uses hydroponic systems to grow food for sale at various retail locations in the Northeast US.

Over the past 5 years of its existence the company has changed its strategic and operational direction several times. From a technology company to manufacturing hydroponic growing systems to a farming company using hydroponic systems. In the questions of TerraTech one valid question is: Does this company have a clear and strategic focus on its operations or goals?

This question is somewhat up in the air as the company is relatively new and with such a short history a real answer to this question will require more time to develop. The

cursory answer is that its management may be too open and flimsy to stick with one general purpose. In TerraTech's defense the company's service does have a significant amount of overlap. As a software manufacture the company has been able to bring its technology expertise to a company and field that could benefit from more automation in the operation of its farming products. Additionally, the company's growing operation could benefit from moving from just a manufacturer of supplies to a grower of food utilizing their own products.

In this regard though the question becomes how will their sales of products- the hydroponic products- be affected by being a direct competitor of the end users of these; namely other farming or hydroponic growers?

Also, no company should be blamed or looked down upon for looking to take advantage of new market opportunities. If the management of certain major enterprises in the US had been open to new opportunities; Xerox, would have been the largest company in the US as they developed the video tape, computer mouse, and other technology that they sold away.

As a last note on the several different business models embraced over the years, it's a common thing to see over the counter companies do this sort of thing.

### [Opportunities in Hydroponics](#)

With reference to TerraTech's core business model, the company is looking to turn hydroponics into the wave of the future of farming. The planet and the whole human race are facing a major problem in the realm of growing land in the world. The world's population is approaching 7 billion, while we hit the 6 billion mark at the turn of the century (2001), this rapid growth rate is causing sever consternation in the food production industries, as many crops in the world take a full year to develop and the growth time average about 3 to 4 months. The world could face food shortages as soon as the next decade. Additionally, the arable land for farming is becoming smaller as top soil is washed away, and the population expands into the food growing regions.

Enter TerraTech's hydroponic systems. They are developing plant growing systems that can be used in a place as small as a large family room. The company manufactures systems that take advantage of the space above the ground as well; so instead of growing plants on one level in a confined space a person or even a farmer can grow several levels of plants in the same space. Basically, this will allow the grower to increase their production space without increasing their land footprint.

The other benefit of their system is to turn the food production into an automated system. The “farmer” or grower can simply monitor the nutrient baths and lighting systems and let the hydroponic mechanism take care of the actual movement of the seeds and plants to get what they need to grow.

In this endeavor the company in 2013 purchased a hydroponic growing facility called Edible Garden. This company has a greenhouse on several acres that grow the food which is then sold through retail outlets throughout the Northeast. When Edible Garden was purchased the current price of produce and the ability of produce that the enterprise can grow, indicates that the company can expect \$10 million dollars in revenue from the enterprise in a single year. The company’s current expectation is to perfect the operation and then build similar “greenhouses” across the company expanding the distribution network of the food system.

This plan does raise a question that the company has yet to fully address. Will the owning of growing greenhouses impact its sales of hydroponic systems to other companies. In essence the company will be a competitor of companies that could buy their growing products. Additionally, the company looks to sell smaller unit or growing system to individuals, with their own ability to grow food at home, will they need to go out and buy as much produce at the corner store.

### [Potential for a Cannabis \(Marijuana\) revenue stream](#)

One obvious revenue stream for TerraTech is through the current reduction of legal issues for Cannabis growers and users. 20 US States have now legalized or reduced the restrictions on Cannabis use at least for sick persons. Washington State and Colorado are the most liberal in this method of legalizing Cannabis, in allowing for its growth and personal consumption without most restrictions. The other states have legalized it to various degrees. The current regulation on Cannabis is very murky as not only is their legal issues from the states, but local and most importantly federal regulation has yet to become as liberal in their enforcement of such laws. Much like the gold rush of the 19<sup>th</sup> century the various issues regarding legalization have developed the US into a “wild west” atmosphere towards Cannabis use and growth. Although just like the west was known for its openness of opportunities, so is the current state of Cannabis opening doors to various businesses.

**In this regard TerraTech is ready to go.** The companies growing systems are perfect for this potential market and can offer both individuals and commercial growers the ability to grow “weed”. In fact the company has recognized this opportunity and has slowly

started to market their products to the potential growing market. Although the company has acknowledged and is marketing some of its products to this market this does not appear to be a major emphasis of the company's strategic goals, or a market that they are looking to totally conquer. This could be because the company is precluded from marketing to growers because of state law; or as in this author's opinion the company recognizes that the real potential for growth in the world and their markets come from an emphasis on food production. It appears that the company sees the opportunity here, but only as an ancillary opportunity.

It is interesting that the investing market has seemed to place TerraTech into the Cannabis benefactors of the world. This actually could have been done to the company's detriment as it moves with other Cannabis players. The industry as a whole saw a significant amount of investment at the end of 2012 and the start of 2013; by February the industry saw a major reversal and all of the company's focusing on the Cannabis market fell in value. TerraTech followed along on this sell off and has yet to recover to its values from earlier this year. Additionally, as pointed out above the company sees itself more as a manufacturer of hydroponic devices or a food producer than a company catering to the Cannabis market.

## Financials

Market Cap December 27, 2013	\$10.62 million
Revenue trailing twelve months	\$1.66 million
Cash most recent quarter	\$ 40,700
Debt inc. AP, Notes, and current liabilities	\$3.7 Million
Shares outstanding	101 million
Assets	\$3.6 million

The potential for the company to regain a share price that it enjoyed back in late 2012 would most likely **only come after they fully align their business model to cater to the cannabis market**. However the drop in share price presents investors with a big opportunity for 2014, as the stock could embark on a solid uptrend.

TerraTech is a small microcap traded under the ticker (TRTC). The company averages volume of about 1 million shares per day for the last three months. This trading represents about 1 % of the shares each day. The most current price was about \$0.11 per share which works out to the market cap of just over 10 million dollars. Like many microcaps the company has a low cash balance and has a warning by its auditors of the risk as a going concern.

The company does have some interesting financial situations. A small portion of its outstanding notes or debt is held by its company directors and management. This could be looked upon as a positive as the management team has offered plenty of their own wealth to the company's existence. They will only get paid back if the company succeeds.

Another interesting detail is how the company is recording the greenhouse and farm as an asset. Instead of booking the location as a plant or property, it is booked as a deposit. This is a curious way to offer the value and there is no ready explanation in the 10-Q of the company. Should this give a potential investor pause, not necessarily; but, it needs to be noted that the company has booked its largest single asset, \$2.6 million or two third of the assets, are in this unique booking.

Finally, the company has a negative value for shareholder's equity because the debt is so higher than its total asset base. A small portion of this is the debt is attributable to the management. The other notes are payable to holder with really high interest rate, a **60% annual rate**. The concern here is that technically at this rate and the amount outstanding the rate is about \$600,000 per year just in interest.

### Conclusion

TerraTech is a very interesting company. The products and offerings of the company do suggest to the potential investor that this company has chosen a potential market that could offer it great rewards. The question posed earlier in the start of this report need to be answered though and there the answers are still a bit murky. Does the company have a clear focus? Yes and no. Because it is too new to see if the rapid change in strategy over the last 5 years is a pattern or a system of recognizing opportunity.

Can the company benefit from changes in the marketplace? Yes. The company by being flexible in its strategy has positioned itself to be **both a producer of hydroponic technology and grower of hydroponic produce (ahem, Marijuana)**. Additionally, the company can be a go to company for growing mechanisms for the Cannabis growing market. The financials are fairly messy, like one might expect when it comes to a penny stock.

Bottom line: If TRTC gets clearance to grow Marijuana, this stock could shoot to new highs, perhaps even to \$1 per share and up. Even the anticipation of this development will likely send the stock soaring. The main obstacle to seeing this stock move higher will likely be dilution.

Also, the elections being held in November 2014 will likely bring a lot of attention to these stocks, the same way the 2012 elections did.

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