The CannTrust (TSX:TRST) Stock Shocker Makes 1 Cannabis Competitor Look Great by Comparison

Description

It's been a bad start to the week for the TSX, as energy, finance, gold, and the healthcare sectors all took a dive. The latter sector was weighed down by the plunge in **CannTrust Holdings** (TSX:TRST)(NYSE:CTST), which failed to live up to its name this week. The cannabis producer has been hit by a Health Canada audit that concluded the company had been running an extra five greenhouse rooms without a licence and put a kibosh on the estimated 5,200 kg of marijuana the company produced.

Trust is the name of the game

Down 28.94% in the last five days, CannTrust has subsequently dragged down the healthcare segment of the TSX and cast a shadow on an industry that, above all, needs to be taken seriously. The company has since voluntarily halted sales of an extra 7,500 kg grown in the rooms in question. Considering that the cannabis producer's last quarter sales amounted to around 3,000 kg, the volume of supply being halted is significantly high.

CannTrust's Peter Aceto said in a release, "We have made many changes to make this right with Health Canada." He added, "We made errors in judgment, but the lessons we have learned here will serve us well moving forward."

Nevertheless, the company has taken a big hit in its share price, while longer-lasting effects may be felt in the company's credibility and, more quantifiably, its market share. Perhaps the biggest loss may be in institutional investment, however, with CannTrust now potentially facing an uphill battle to appeal to possible partners in parallel industries.

Which stocks should new cannabis investors buy into now?

Cannabis investors have an interesting situation here. While CannTrust is obviously trading at a considerable discount at the moment, investors may want to look at its peers, which are mostly trending lower with the exception of a few stocks, including **Charlotte's Web** and **Green Organic Dutchman**, which are both up a few percentage points on average over the last five days. Meanwhile, **Canopy Growth** (TSX:WEED)(NYSE:CGC), **Aphria**, and **Tilray** are all a little cheaper this week.

The upshot is that while some cannabis stocks are suffering, the biggest and best of them (particularly Canopy Growth and Aphria) now offer value opportunities to investors looking for a foothold in this exciting new industry. In fact, having weathered its own storm lately, though to a much less impactful degree, Canopy Growth is looking all the more appealing an investment by comparison this week.

With operations in 12 countries and well positioned to take advantage of the forthcoming opening of the edibles market, Canopy Growth looks stronger than ever. In fact, the CannTrust debacle could end up being something of a watershed moment for cannabis stocks, with the possibility that only the largest and most stable companies might attract quality partnerships from now on.

The bottom line

Newcomers to Canadian cannabis stocks should look beyond value opportunities and discern quality and stability. Assured supply is the biggest indicator of longevity, and Canopy Growth has it in spades. Given the battle for legitimacy that faces the cannabis industry as a whole, serious producers with a competitive market share should be considered ahead of any company with a question mark over its name.

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