



## 2 Top Pot Stocks Under \$5 to Buy Today

### Description

There are rising fears that the hype surrounding cannabis stocks has abruptly ended and the bubble is about to burst. While a reckoning is looming for an industry in which many companies sport nosebleed valuations, it is undeniable that legal marijuana is here to stay.

The latest cannabis stock sell-off has created several bargain basement investments with the potential to soar and deliver outsized returns. Here are two marijuana stocks trading at less than \$5 at writing that should be on every cannabis investors radar.

### Punished after recent regulatory breaches

**CannTrust Holdings** (TSX:TRST)(NYSE:CTST) has been [heavily penalized](#) by the market after announcing that the Canadian cannabis regulator Health Canada had identified a series of compliance breaches, which sees it down by 41% since the start of 2019 and trading at around \$3.90 per share at writing. This creates an opportunity to acquire a quality cultivator at a deep discount to its peers.

CannTrust's issues relate to the cultivation of cannabis in unlicensed facilities between October 2018 and March 2019. As a result of Health Canada's findings, it has placed a voluntary hold on the sale and shipment of all cannabis products, while Health Canada evaluates its growing and processing facilities.

Clearly, this will have a significant short-term impact on the cultivators 2019 performance and earnings, although it's unclear just how significant that will be. Health Canada will also likely order the completion of remedial actions and other sanctions, including what could amount to costly fines.

Nonetheless, CannTrust possesses quality assets and is continuing to grow as well as process cannabis at its licensed facilities. In a push to reduce costs and boost margins, it has acquired 81 acres in British Columbia to be used for outdoor cultivation. Canadian growers are increasingly recognizing the need to reduce the environmental footprint and high costs associated with climate-controlled greenhouse cultivation.

CannTrust, in comparison with many of its Canadian peers, is already a low cost grower, reporting first-quarter 2019 cost of sales of \$3.03 per gram, which is lower than **Canopy** and **Aphria**. The move to outdoor cultivation will see costs fall further, boosting profitability.

While the fallout from the recent investigation by Health Canada is impossible to predict, it's likely to be far less severe than the market believes, making now the time to buy CannTrust.

## Low-cost Colombian cultivator

Latin American-focused cannabis company **Khiron Life Sciences** (TSXV:KHRN), despite being roughly handled by the market in recent weeks, is up by 25% year to date to be trading at \$1.90 at writing. Its cultivating operations are [focused on Colombia](#), where it has 1.9 million square feet of licenses cultivating area with 100,000 kilograms of production capacity. Khiron claims to be producing dried flower with an average cost of goods sold of \$0.35 per gram.

Its Colombian operations are expected to commence commercial production during the third quarter 2019, with all cultivation, extraction and testing facilities operational. Khiron will have capacity to produce 25,000 kilograms of dried flower annually and could be producing up to 158,000 kilograms annually once construction of all licensed cultivation areas is completed.

Testing of the Colombian crop currently being grown shows an absence of mould, fungus and pesticides or other harmful compounds.

Khiron is also building a large regional distribution platform, including access to 176 retail outlets in Colombia for its CBD wellness products. Its medical marijuana products have been endorsed by six Latin American medical associations that represent 5,000 doctors with approximately 1 million patients among them. Khiron anticipates commercially launching its medical cannabis products during the second half of 2019.

These events, if successfully executed, which is highly likely, will give Khiron's stock a solid boost and position it to report stronger earnings for the remainder of 2019 and into 2020.

## Foolish takeaway

CannTrust and Khiron offer the opportunity to gain low cost exposure to the burgeoning global cannabis industry, which has been estimated by investment bank Jeffries Group to be worth US\$130 billion by 2029. This assumes that major Latin American and European jurisdictions as well as the U.S. will legalize recreational and medical marijuana over the coming decade.

That along with CannTrust and Khiron's attractive valuations makes now the time to acquire both cannabis cultivators before they soar in value.

### CATEGORY

1. Cannabis Stocks
2. Investing

## TICKERS GLOBAL

1. TSXV:KHRN.H (Khiron Life Sciences)

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