



## CannTrust's (TSX:TRST) Health Canada Scandal Is Making Weed Stocks Look Bad... Buy This IPO Instead

### Description

It's been over two weeks, and the **CannTrust** (TSX:TRST)(NYSE:CTST) scandal is still raging hot. After having a hold placed on cannabis inventory due to unlicensed production, the company filed a reply to Health Canada's [report of non-compliance](#).

CannTrust is claiming that its production rooms were in compliance with grow site regulations, while admitting that they were not licensed when they were operating.

Executives have committed to ensuring that future operations are in compliance with all licensing requirements.

However, the company's commitment to change hasn't impressed investors, as its stock is tanking with no end in sight, down 44% from its July 5 closing price.

### What the scandal is all about

The CannTrust scandal centers around five rooms in which the company had been growing pot between October 2018 and March 2019. Although the rooms were technically in line with regulations governing marijuana grow sites, they were not licensed during the time that they were operating.

After this was reported to Health Canada, the agency placed a hold on about 5000 kilograms worth of inventory, while the company voluntarily put a hold on 7500 kilograms of its own inventory to make sure that all product it was selling had been grown in compliance with Health Canada regulations.

### How other weed stocks could be affected

Prior to the federal legalization of marijuana, licensing had been a huge problem for marijuana producers—contributing to the supply shortages seen in the weeks after pot was made legal.

Marijuana producers struggled to get the proper licenses needed to grow weed, with the result being that many of them had production space that was not being used.

The supply issues stemming from marijuana licensing appear to have been resolved.

However, the question of whether other producers were operating without licenses remains. In the lead-up to legalization, companies were desperate to produce product to meet the coming demand for legal weed.

In light of this, it's quite possible that other small-cap weed growers may have skirted regulations in the same way CannTrust did.

If that turns out to have been the case, then we could see investors pull out of small cap weed stocks fearing that their favourite one will become "the next CannTrust."

## **An upcoming IPO that may be better than weed stocks**

If you're concerned about weed stocks but still want to invest in a hot market-beating property, there's a new IPO coming up that could fit the bill.

GFL Environmental Holdings Inc is a company that offers waste management services for [clients across North America](#). Handling solid, liquid and hazardous waste, it has become a big player in its niche.

Currently owned by the Ontario Teachers' Pension Plan, it filed its preliminary prospectus on July 19.

The company is expected to go public sometime this year. Although no financials are yet available for GFL, its "environmentally friendly" waste management philosophy may generate significant growth at a time when illegal or environmentally hazardous dumping is becoming an ever-larger concern.

Also, the fact that the company earns money from large corporate and government contracts may make for steadier earnings than weed stocks can provide.

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## Date

2025/07/19

## Date Created

2019/07/25

## Author

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