



## Cannabis Investors: We Finally Have a Pot Stock That's Attractively Valued!

### Description

If you're a value investor like I am, you wouldn't think about touching cannabis stocks with a barge pole. The valuations slapped on [most cannabis names](#) have been and continue to be absurd beyond proportion. And while you've probably shunned the industry by now, it may come as a surprise that we finally have a pot stock with a [valuation that's aligned with reality](#).

Enter **CannTrust Holdings** (TSX:TRST)(NYSE:CTST), a pot stock that's been under a significant amount of pressure over the last few months over news that can't seem to get any worse. It's too bad that it had to be this way, but the stock is attractively valued, even with the baggage and the scandal that's unfolded before us.

What happened?

In case you've been tuned out, CannTrust is in hot water over cannabis growth in unlicensed rooms. Shares slid 22% in a single trading session when it was reported that CEO Peter Aceto told senior staff to "continue as planned."

Health Canada is going to unleash its fury with some sort of punishment. And right now, further investigations are needed to see if management had bad intentions from the beginning or if they were unintentionally caught offside. I think it's the latter, and if this is found to be the case, CannTrust may get a penalty that's closer to a slap on the wrist than one that'll result in its ultimate demise.

From a risk/reward standpoint, I like the name much more than its nonsensically valued peers which aren't at risk of being put in the penalty box. CannTrust trades at around 6.4 times sales, which is a bargain when it comes to the cannabis industry and the quality of underlying assets you're getting.

Moreover, cannabis stocks are all about exaggerated moves; whether it's to the upside or downside, you can be sure that the market value of a pot stock will be a far cry away from its intrinsic value. After suffering a +80% peak-to-trough drop, CannTrust is looking ripe for picking for us patient value investors.

While there's still a tonne of risk, I believe that it won't take much to move the needle higher at

CannTrust. Whether it's through the ousting of executives, the discovery of a misunderstanding that's been exaggerated and interpreted the wrong way by media outlets, or milder-than-expected penalties faced, I think CannTrust is capable of posting triple-digit percentage upward movements over the coming weeks.

I'd argue that CannTrust at a reasonable multiple is a better bet than any other pot stock like **Canopy Growth**, which trades at over 50 times sales. So, if you've got disposable income, now is the time to have a close look at CannTrust before the stock has a chance to pay its dues and step out of the penalty box.

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