



1 Pot Stock to Buy Instead of CannTrust (TSX:TRST)

Description

While the cannabis hype of 2018 might be gone, it's certainly not forgotten. Investors are still on the hunt for stocks that promise both to be the next big thing with the staying power moving forward as more small producers are snatched up by larger companies.

Thus, when some drama occurs around a fairly well-known stock such as **CannTrust Holdings Inc.** (TSX:TRST)(NYSE:CTST), investors tend to notice.

The marijuana producer is in [hot water](#) after Health Canada discovered that it was growing cannabis in five unlicensed rooms. A large portion of CannTrust's current cannabis inventory was subsequently put on hold by Health Canada, and CEO Peter Aceto was fired.

Analysts have since downgraded the company, with shares plummeting by more than half. In addition, Merchant Law Group LLP has announced it is investigating whether CannTrust violated provincial securities laws, one of several class actions in the works.

Amid the scandal, many investors are wondering whether it's time to pick up the stock while it's at all-time lows. However, analysts are warning investors that the stock price could continue dropping, as the company could lose its license.

In my view, the stock is far too much of a gamble at this point.

So what should you buy instead?

Consider Hexo

HEXO Corp. ([TSX:HEXO](#))(NYSE:HEXO) is a far better investment for investors looking to buy up a stock that's down, but not out. The stock hasn't been performing the best over the last few months after hitting all-time highs back in April.

The recent drop comes likely from the company announcing that Chief Brand Officer and co-founder

Adam Miron would be stepping down.

There were no announcements that came with Miron leaving, and no whistle blowers as were with CannTrust, so it does smell a bit fishy.

Looking beyond the *potential* for scandal, Hexo looks a lot more promising than CannTrust. The company is already heading into the edibles and beverage market after partnering with **Molson Coors Canada**, but it now plans to enter the market for everyday food products.

According to Health Canada, Canadians should be able to take advantage of the edibles market come December.

Hexo is also an extremely [low-cost producer](#), reporting \$2.26 per gram of cannabis sold for its fiscal third quarter — far lower than most of its peers. While the company was among them when it came to reporting a loss of \$7.8 million, this was likely down to one-time costs of expanding its operations.

Foolish takeaway

While it can be tempting to buy up stocks on the cheap, investors need to be cautious when it comes to the marijuana market. Hexo provides investors with an opportunity, whereas CannTrust should be seen as a warning.

For investors looking for a bargain, Hexo definitely provides it at this point, either as a company ripe for expansion or ripe for a takeover target.

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1. Cannabis Stocks
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