



## 3 Beaten-Down Marijuana Stocks to Steer Clear of

### Description

Investors in the cannabis space are getting weary, and marijuana stocks are getting a beating. The industry has been flooded with controversies. Although prices have been falling, don't be misled. Some of the beaten-down marijuana stocks are not worth your money.

The prospects for **Hexo** ([TSX:HEXO](#))(NYSE:HEXO), **CannTrust** (TSX:TRST)(NYSE:CTST), and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) this month are bleak. You shouldn't view the situation as buying opportunities.

### Fallen star

Hexo was a standout and the [top-performing weed stock](#) up to the end of April before the free fall ensued. Since then, the stock has sharply fallen by 52.8% to the current price of \$5.24. The listing on the NYSE in mid-July did not arrest the downtrend.

Still, Hexo can reign supreme in Quebec, where the company has secured a lucrative long-term supply agreement in Canada's second most-populated province. Hexo needs to expand production capacity if the company wants to grow sales. The acquisition of Newstrike Brands will also boost capacity soon.

Its joint venture with **Molson Coors Brewing** is in preparation for the launching of cannabis edibles and other derivative products later this year. Until then, the picture remains hazy. Hexo is also in talks with companies outside the cannabis industry to forge a potential partnership in the near future.

### Illegal operations

CannTrust suffered a major blow when it was forced to disclose a violation of cannabis regulations. Health Canada caught the company hiding and selling illegal cannabis during a surprise inspection last June. CannTrust's image was badly tainted.

The scandal could have serious legal implications, including the imposition of fines. It's unfortunate

because CannTrust can attract more patients and medical cannabis users. The stock has already tanked below \$3 when it was trading above \$7 at the start of the year.

CannTrust fired both the chairman and the CEO and implemented a senior management shakeup. Management vowed to make the necessary changes and fully cooperate with Health Canada. More inspections could be conducted.

Hopefully, there wouldn't be any more violations. But the damage has been done. CannTrust wasted future opportunities with the wrongdoings.

## Down goes the giant

Industry giant Canopy Growth is also in a bind. WEED has already surged to as high as \$70 in late April and has sunk by 34.4% to \$45.90 as of this writing. The company grappled with internal issues, and it's been weeks since the CEO firing episode. But the [backlash](#) continues.

Canopy can endure the problem, but the long-term growth is held in abeyance until such time a new CEO steps in to set a new direction. Even the former CEO's contingent-rights deal to acquire **Acreage Holdings** might not bear fruit in the near term. U.S. legalization of cannabis at the federal level is still a long shot.

Moving forward, the influence of **Constellation Brands** in Canopy Growth would be more noticeable. The order of the day is to cut down on expenses and pursue recurring profitability. But that could deplete the war chest even more.

## Bottom line

You'd better steer clear of these three weed stocks. The thick dust will settle, but it will not be soon.

### CATEGORY

1. Cannabis Stocks
2. Investing

### TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NASDAQ:HEXO (HEXO Corp.)
3. TSX:HEXO (HEXO Corp.)
4. TSX:WEED (Canopy Growth)

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