



The CannTrust (TSX:TRST) Scandal Has Now Gotten Even Worse

Description

CannTrust Holdings Inc (TSX:TRST)(NYSE:CTST) has been facing no shortage of issues lately, and things have gotten even worse for the company.

On Monday, we learned in another update from the cannabis company that it had been notified that it was once again non-compliant, this time at its Vaughan location.

CannTrust has already run into issues with its Pelham facility and is currently awaiting a decision from Health Canada on revelations that it was growing in rooms it wasn't licenced to do so yet, with one ex-employee even stating that it had put up fake walls in order to help conceal the operations from regulators.

This latest report at Vaughan was as a result of an inspection that took place in July, after the Pelham problems came to light. The issues again relate to a lack of approval from Health Canada and also insufficient controls and procedures in place to ensure security and quality.

Deja vu for investors

In what's likely become a bit of a joke for investors by now, new interim CEO Robert Marcovitch is already coming out with many of the same responses we've heard from his predecessor, Peter Aceto.

In the press release that the company issued on Monday, he stated, "We are continuing to work hard to regain the trust of Health Canada, our patients, shareholders and partners.

We have retained independent consultants who have already started addressing some of the deficiencies noted in Health Canada's report. We are looking at the root causes of these issues and will take whatever remedial steps are necessary to bring the Company into full regulatory compliance as quickly as possible."

The response was very similar to Friday's response, in which investors learned that the company's auditors were [withdrawing their reports](#) from CannTrust's latest financial:

"We will continue cooperating with our auditor and regulators, and take whatever steps are necessary to restore full trust in the Company's regulatory compliance. Our medical patients, customers, shareholders and employees deserve nothing less."

At some point, these words begin to mean less and less, and I think we've already reached that point. Let's not forget that as of Monday, investors were still waiting for a "root cause analysis" that Aceto said the company was working on about a month ago.

Once again, the company's current CEO is talking about uncovering "root causes" for problems at another facility.

This all suggests that the company hasn't made the changes necessary to its operations, even after regulators found problems at one location.

This only makes it less likely that Health Canada won't take away the company's [licence](#), as at this point it would be difficult to have much trust in the company's operations.

Bottom line

If there was any reason to have hope in the company's turnaround, it should be gone by now. The one saving grace would have been if CannTrust were able to demonstrate to regulators and investors that it had at least fixed its operations and that things were in a better place and that Pelham was an anomaly.

Instead, it's shown that the issues facing the company are more widespread than just one location.

The stock is a very risky buy today, and it's hard to even come up with a reason of why it might be worth investing in.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis

Date

2025/08/24

Date Created

2019/08/14

Author

djagielski

default watermark

default watermark