1 Stock That Has Been Crashing Worse Than CannTrust (TSX:TRST)

Description

CannTrust Holdings (TSX:TRST)(NYSE:CTST) has been on an epic decline since July when investors learned that the company had been growing marijuana illegally in rooms it wasn't yet licensed to do so. Then we learned that the company had yet another facility that was non-compliant.

It's been nothing short of a soap opera the past couple of months, and investors are still waiting for Health Canada to come down with its decision as to what punishment CannTrust will face, which could include a suspension of its licence. As a result of all the controversy, the stock has fallen more than 60% since July.

At just $2.48 to close out the week, CannTrust's stock could still continue to go lower, depending on what regulators decide to do with the company. Unless it can avoid a suspension, there's little hope for the stock to rebound from where it is today. However, as bad as CannTrust has performed over the past couple of months, there's one stock that has been even worse.

Just Energy Group (TSX:JE)(NYSE:JE) has seen its share price decline by more than 70% since July, as investors have been eager to sell the stock.

What happened?

There are two reasons why the stock is down. The first relates to an adjustment to the company's receivables that last month Just Energy said could result in a write-down as large as $50 million. The stock would end up going into a tailspin, and by mid-August it would be down around 27%.

The second reason behind the stock's steep sell-off came when the company released earnings. Just Energy reported a very disappointing quarter, to say the least. Not only were sales down from the prior year, but the company posted a mammoth loss of $275 million. It was also the fourth time in the last five periods that it landed in the red.

To make matters even worse, Just Energy announced its dividend would be suspended for the time being, as it continues its strategic review. It's a big blow to investors who may have only invested in the company for its high payout. The terrible news sent the stock to a new low, and the danger is, it could continue falling even further.

What investors can take away from this

The Just Energy sell-off is an important reminder for investors to never solely invest in a company for its dividend and that it should never be taken as a given. Just Energy is able to issue a dividend at its discretion, and there's no guarantee that it will ever pay one again.

And with the company struggling to turn a profit in recent quarters, there was, unfortunately, little reason to invest in Just Energy for any other reason. What can make dividend stocks dangerous investments sometimes is that a reduction or an elimination can come suddenly. However, in Just Energy's case, the warning signs were certainly there.

While the appeal of a high-yielding dividend may have enticed investors to buy Just Energy stock, that should never be the sole reason to invest in a company.

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