



## 2 Canadian Marijuana Stocks to Avoid Besides CannTrust (TSX:TRST)

### Description

Things were going quite well for **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) only a few months ago, when shares reached just over \$13 and the business was booming. But as the cannabis industry started to slump, terrible news came out for this cannabis company.

Back in July, it was discovered by Health Canada that the company was using five unlicensed rooms to produce cannabis. These rooms have since been approved by Health Canada; however, it has put a lot of product on hold, and the company may receive a fine up to \$1,000,000 or even lose its licence.

The scandal has been all over the news, which is why many are saying you should avoid it like the plague. But in this uncertain time in the marijuana industry, I would also consider avoiding these two other companies for the time being.

### Hexo

While **Hexo** (TSX:HEXO)(NYSE:HEXO) [may look promising](#) in the near term, it's the long term that investors should be thinking about when buying cannabis stocks. Does the company really have what it takes to produce for years, even decades to come? In Hexo's case, I don't believe so.

The company has received a lot of excitement lately over the edibles market. Hexo expects its profits to soar, with an increase of 452% in sales when edibles are legalized in Canada this October, with some products on the shelves by December. The company has been working with **Molson Coors Canada** to create cannabis-infused beverages and is even looking into everyday products to see how it could introduce cannabis-infused products to your grocery store.

Hexo believes it can do this after it launches its 600,000-square-foot facility space specifically meant for derivatives production, and through its five-year deal to supply cannabis to Quebec. However, if I were an investor I would wait to see how successful the derivatives market actually looks before investing in Hexo. There could be a lot of hype (see last year) for a whole lot of nothing. If that's the case, Hexo could be sunk.

## Cronos

A similar situation lies with **Cronos Group** ([TSX:CRON](#))(NYSE:CRON) but within the cannabidiol (CBD) market. Like Hexo, this company has placed a lot on its bet that CBD will do well. The company has been growing immensely, mostly through acquisitions, with the funds it received from **Altria** a few months back. It's generated a lot of excitement, as it looks like the company is continuing the grow, but does it warrant all that hype?

Cronos announced back in July it would be [entering the United States CBD](#) market, and it does look to be fairly lucrative according to Wall Street with value estimates of US\$16 billion by 2025. This was followed by intentions to acquire Redwood Holding Group, an owner of popular CBD brand Lord Jones for US\$300 million, giving it a place in the U.S.

So, while many investors are getting excited about Cronos's future potential, it's just that: potential. There really isn't that much proof yet that CBD will be a huge move in the U.S. Meanwhile, Cronos is still trading fairly high, making now not a great time to invest in this company that is, frankly, still in set-up mode, with no plans for all of its cash on hand.

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1. Cannabis Stocks
2. Investing

### POST TAG

1. Cannabis
2. Editor's Choice

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3. TSX:CRON (Cronos Group)
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