



Will CannTrust (TSX:TRST) Stock Fall Below \$1?

Description

Shares of Canada's cannabis company, **CannTrust** (TSX:TRST)(NYSE:CTST) rose close to 2% yesterday. The stock is trading at \$1.72 per share, which is a whopping 89% below its 52-week high of \$15.5.

CannTrust has burnt significant investor wealth [due to regulatory concerns](#). The company was accused of producing cannabis in unlicensed facilities, which led to parallel investigations from two regulatory bodies.

Health Canada suspends CannTrust's licences

On September 18, 2019, Health Canada issued a Notice of Licence Suspension to CannTrust. The legal notice confirms that Health Canada has suspended CannTrust's licence to produce and sell cannabis.

According to TRST's press release, the notice is a partial suspension of the company's licence for standard cultivation and a full suspension for standard processing, medical sales, cannabis drugs, and research.

CannTrust is allowed to cultivate and harvest its existing lots as well as undertake ancillary activities with respect to these lots. CannTrust has, however, been disbarred from manufacturing new batches or engage in the sale or distribution of cannabis till the end of this suspension.

TRST's press release states, "The notice states that Health Canada will reinstate CannTrust's licences under section 64(4) of the Cannabis Act if the reasons for the suspension no longer exist or if CannTrust demonstrates that the suspension was unfounded."

There was always a chance of licence suspension for CannTrust, but investors were hoping against it.

CTST focuses on restructuring to stay afloat

On September 5, 2019, CTST announced that its board of directors and new executive leadership are committed to ensuring regulatory compliance. It has restructured its business operations and reduced workforce as well in a bid to stay afloat.

Company CEO Robert Marcovitch stated that while workforce reduction was a difficult decision, it reflects the current business requirements. The restructuring should position TRST to better serve patients and customers with high-quality and innovative products, claimed Marcovitch.

The company workforce was reduced by 20%, or 180 employees. This will result in annual cash savings of \$9 million while severance packages amount to \$2 million. Several employees from the cultivation and customer service departments were laid off.

CannTrust's CEO emphasized that the company has taken several steps in the last two months to address non-compliance issues in business operations after a Special Committee was appointed to look into Health Canada's allegations.

Marcovitch reinstated that CTST remains fully committed to rebuilding the trust of all stakeholders.

What were steps taken by CannTrust to reinstate trust?

As stated above, CannTrust appointed a Special Committee to investigate the causes and extent of non-compliance issues. This will help TRST gain insights and recommend remedial measures. It also retained independent advisors to investigate non-compliance. These advisors were appointed under the supervision of the Special Committee. It terminated the contract of ex-CEO Peter Aceto for cause and demanded the resignation of Chairman Eric Paul.

We know that TSRT put on hold sales of [cannabis products worth \\$51 million](#). The company claims to have devised a comprehensive remediation strategy to achieve compliance in line with Health Canada regulations. The management is focused on developing a go-forward business strategy as well.

For now, CannTrust will look at ways to revoke the suspension order by Health Canada. The company's management team and board are reportedly reviewing the suspension with TRST's counsel and legal advisors.

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