



2 Marijuana Stocks to Avoid Like the Plague

Description

Marijuana stocks have been stuck in a nasty hangover of late.

While the [massive highs](#) (pun not intended) and lows in the marijuana market are to be expected, some naysayers are of the belief that things are different this time around. But, of course, that's what they've always said when it became convenient.

While there are [wonderful pot stocks](#) to buy amid the recent industry-wide meltdown, there are several falling knives that could seriously hurt investors who attempt to reach out and grab them amid their free falls. There are troubled businesses out there that could cause investors to lose both their shirts and pants, and this piece will look at two of the riskiest bets in the space.

Can't trust CannTrust

It's hard to trust the management team of **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) after the scandal, which saw illicit cannabis growth within secret rooms. The debacle caused investors who stood by the company to lose nearly 90% of their investment. Ouch.

At this juncture, management said it's "fully focused" on returning to regulatory compliance following notice that the Alberta Gaming, Liquor and Cannabis Commission (AGLC) will return \$1.3 million in products back to CannTrust at the cost of the company, sending shares of TRST plunging nearly 8% to a \$1.72.

While CannTrust is one of the most attractively valued pot stocks out there, the firm's reputation is severely tarnished, and with the stock getting the boot from the **S&P/TSX Composite Index**, few investors are likely to flock back into the name, unless a miracle happens.

You can't trust CannTrust. So, unless you're a gambler who's willing to put everything on the line of a roulette wheel spin, I'd avoid the name like the plague.

Cronos Group could get smoked

Cronos Group ([TSX:CRON](#))(NYSE:CRON) is a globally diversified cannabis company that's best known for its big-league investor **Altria**, which also acts as a strategic partner with deep pockets.

Altria may end up gobbling up Cronos Group whole at some point down the road, but given Altria's stake in Juul has been a disaster from a PR standpoint, the government may block a full acquisition (or a larger stake) of Cronos given Altria's reputation.

While Cronos Group stock won't put investors in danger as CannTrust stock would, the stock still appears absurdly overvalued at nearly 180 times sales given higher-than-expected spending and recent capacity constraints. I'm also not a fan of the US\$300 million price paid for Redwood Holding Group to gain further exposure into the CBD market.

Cronos Group is a decent company, but after its 57% peak-to-trough plunge, the stock doesn't look half as compelling as its peers in the space.

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