



Danger: 2 Marijuana Stocks to Avoid Like the Plague

Description

According to research analysts, the legal marijuana industry is looking at annual global sales of \$50 billion to \$200 billion ten years from now, which would equate to humongous growth of between 358.71% and 1,734.86% from the \$10.9 billion legal global sales in 2018.

Investors are up in arms when the [top cannabis producers](#), instead of presenting profits, are reporting huge losses. Two companies, in particular, are in the danger zone. **Cronos** ([TSX:CRON](#))([NASDAQ:CRON](#)) and **CannTrust** (TSX:TRST)(NYSE:CTST) are the marijuana stocks you should avoid.

From darling to least favourite

Cronos is a medical marijuana company from Toronto and the first Canadian marijuana stock to trade on a major U.S. exchange. Cronos became an instant hit on Wall Street. Regrettably, the once darling stock of Wall Street is now one of the least favourite marijuana stocks.

Cronos sealed two critical deals in 2018, the first with Ginkgo Bioworks. The partnership would develop yeast strains capable of producing cannabinoids, including the rarest kind, at commercial scale.

The second and more significant was the decision of Cronos to yield 45% ownership to Altria. The \$1.8 billion equity investment from the tobacco giant solves whatever money problems Cronos have. Altria is the vital cog in the push toward high-margin vape products come December this year.

Despite the vast cash stockpile, Cronos can only boast of [a sky-high valuation](#) and none of the operating profitability. From a high of \$31.77 in early March, CRON has fallen into a deep crater in September. The stock is down to \$15.15.

Dishonourable grower

If there's an outlaw in the cannabis world, CannTrust is in the most wanted list. Fortunately, the fugitive

is behind bars, figuratively speaking. The company had to stop sales after it admitted to growing cannabis in unlicensed cultivations rooms at its flagship Niagara campus.

Since Health Canada's non-compliance report came out in July, the problems of CannTrust keep mounting. The regulatory agency also found CannTrust's Vaughan facility to be non-compliant. Everything has gone wrong. The company's image of notoriety would stick no matter what the penalties would be.

The longer Health Canada takes to decide on the punishment, the more worrisome it becomes for investors. The penalty could be like confiscating thousand kilos or more of cannabis inventory. Because of serious trust issues, however, I think CannTrust deserves a full suspension of its license, if not complete revocation.

From a high of \$13.31 in the third week of March, the stock is down 84.97% to \$2.00 as of this writing. The ax will fall soon, but the scandals involving CannTrust and the blatant fraud committed by the former top executives of the company are unforgivable.

CannTrust could have been the third-largest cannabis grower in Canada with its annual production of 300,000 kilograms. Its wholesale supply agreement with every Canadian province and the outlets in foreign markets would be worthless.

Not worth your dollar

Cronos and CannTrust are potential industry giants. Investors love to hate these marijuana stocks, which they are avoiding like the plague. Cronos could come back if the company could prove it's deserving of the lofty valuation. CannTrust is the name you should scratch from the list of reputable cannabis companies.

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Date

2025/07/06

Date Created

2019/09/26

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