



Why You're Better off Buying Lottery Tickets Than Buying Shares of CannTrust (TSX:TRST)

Description

In September, we learned that Health Canada was [suspending](#) **CannTrust Holdings Inc's** (TSX:TRST)(NYSE:CTST) licence to sell cannabis. The decision wasn't a big surprise given all the scandals surrounding the company. Since that time, the stock has gone on to plummet even further in price, falling below \$1.50 at writing.

The \$13 that the stock traded at earlier in the year is nothing more than a distant memory at this point, and there's little hope of any recovery happening that would get it anywhere near that valuation again.

Buying shares of CannTrust today is extremely risky given that the company will likely be unable to turn things around.

Odds of Health Canada reinstating CannTrust's license are very remote

When the scandal first broke, there was a much better possibility of CannTrust recovering from growing marijuana illegal than there is today.

The problem today is that the CannTrust scandal has attracted a lot of attention. Given just how many issues have been uncovered thus far, it's difficult to see why Health Canada would decide to give CannTrust its license back.

The biggest reason why I wouldn't bet on it is the precedent that such a decision would make. If CannTrust doesn't lose its licenses permanently over these scandals, other companies would have to do a whole lot more before losing their licences.

One company already saw its licence [revoked](#) this year, and it wasn't nearly as publicized. While we don't know all the details, there's no reason to believe that it was worse than CannTrust's violations.

While CannTrust can change its management, the company would still have an uphill battle gaining back the trust of both customers and investors.

Barring some flaw in Health Canada's investigation, which took more than a couple of months to complete, it's difficult to imagine that additional controls will be sufficient given the magnitude of CannTrust's scandals.

The risk is not worth the reward

Lottery tickets are a better buy at this point than CannTrust. They require a lower buy-in to secure a good return, and a CannTrust recovery isn't likely to have much better odds. There's a very real possibility that CannTrust could fall to \$0 and that it's ultimately delisted from the TSX.

While it's not something that might happen in a few weeks or even months, it's a very real possibility that investors should be cognizant of. A company that can't operate its core business will generate minimal (if any) sales with no value for investors.

There's not even the promise of future growth anymore to help get investors buying the stock.

The odds of recovery aren't good, and investors would be better off buying shares in much safer stocks instead.

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