



Why CannTrust (TSX:TRST) Stock Fell 35% in September

Description

Several stocks in the cannabis sector have lost considerable market value in the last 12 months. Investor optimism drove cannabis shares towards record highs prior to marijuana legalization for recreational use in Canada. Soon after, investors started to sweat over the valuations of cannabis stocks, sending them spiraling downwards.

But few stocks have burnt investor money as **CannTrust** (TSX:TRST)(NYSE:CTST) has done. CannTrust was publicly listed on March 9, 2018 and closed trading at \$8.30 that day. The stock then rose to \$13.9 on October 12. CannTrust shares fell to \$6.09 by the end of 2018 before recovering to \$12.91 in March this year.

Now, the stock is trading at a measly \$1.47, which is 90% below its 52-week high. CannTrust investors lost 53% in July after the company allegedly grew cannabis in unlicensed manufacturing facilities. These allegations were found to be true, resulting in the removal of CannTrust's then CEO Peter Aceto.

Soon after, Canada's two regulatory bodies, Health Canada and the Ontario Securities Commission, started investigations against the company, which expectedly created panic among investors.

Health Canada sent suspension notice to CannTrust

On September 18, 2019, CannTrust was handed a notice by Health Canada. The notice confirms Health Canada has suspended TRST's licence to [produce and sell cannabis](#). TRST press release stated that Health Canada partially suspended its licence for standard cultivation and completely suspended the licence for standard processing, medical sales, and research of marijuana products.

Though TRST will be able to cultivate and harvest existing lots and undertake ancillary activities, it has been disbarred from manufacturing new batches of cannabis or even engaging in the distribution or sale of these products.

Further, CannTrust stock was driven lower by the overall weakness in the cannabis industry. Heavyweights such as **Aurora Cannabis** reported results lower than analyst estimates last month. In

August, **Canopy Growth's** expanding losses made investors fret over the stock's valuation.

The vaping scandal impacted several stocks last month. Every major cannabis manufacturer was gearing up for the second wave of legalization or Cannabis 2.0. Investors were optimistic, as Canada will soon be legalizing edibles, vapes, and concentrate products. But vaping products in the U.S. have been attributed to 14 deaths and this has crushed demand for vape-related products.

Cannabis vapes reportedly caused one death in the U.S. Now, the demand for these products is expected to be less than encouraging in Canada. Investors continue to remain cautious, as significant investment and research would have gone into developing these products.

What next for CannTrust investors?

CannTrust is battling it out for survival. There is a ray of hope for investors, as Health Canada has not revoked CannTrust's licence and has just suspended it. This also means there is a chance for the licence to be reinstated if the [cause for suspension is no longer present](#).

Last month, TRST announced that its board of directors and new executive leadership is committed to ensuring transparency and compliance. It has had to restructure business operations as well as the workforce to stay afloat. TRST laid off 20% of its total workforce or 180 employees recently.

The current investors in CannTrust have nothing more to lose. Several of them have already lost 90% in market value. The stock will move higher if and when the suspension is revoked, but there is a lot of uncertainty clouding investors.

There is also the possibility for the stock to be delisted, and it can then fall to \$0 as well.

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