



Why Did CannTrust (TSX:TRST) USA) Stock Gain 51% Yesterday?

Description

Shares of **CannTrust** (TSX:TRST)(NYSE:CTST) gained a whopping 51.5% on October 15, 2019. The stock closed trading at \$1.82. Despite its mammoth gain yesterday, however, CannTrust stock is still trading 88% below its 52-week high.

We know that CannTrust stock has crashed since July, when it was accused of [growing cannabis in unlicensed facilities](#). This prompted a parallel investigation from Health Canada and the Ontario Securities Commission. Last month, Health Canada partially suspended CannTrust's license, sending investors into a panic.

The Health Canada suspension prohibited CannTrust from producing and selling cannabis. However, the company could still cultivate and harvest existing cannabis crops. CannTrust will not be challenging this suspension and instead is focused on working in collaboration with the regulatory bodies and address non-compliance matters.

CannTrust destroys \$65 million worth of inventory

In order to revoke the suspension, CannTrust provided Health Canada with an outline of its remediation strategy. CannTrust stated that it has identified measures to ensure cannabis will be produced and distributed as authorized. It aims to increase employee awareness to ensure compliance as well as improve inventory tracking.

CannTrust's board of directors has now ordered the company to destroy \$12 million of biological assets and \$65 million worth of inventory that was not authorized by CannTrust's license. This includes the inventory returned by channel partners. The company confirmed that the exact amount of inventory destroyed will be verified on completion.

CannTrust will also be providing Health Canada with a detailed remedial plan by October 21. Company CEO Robert Marcovitch stated, "CannTrust is confident that its detailed remediation plan will not only address all of the compliance issues identified by Health Canada, but it will also build a best-in-class compliance environment for the future."

CannTrust is clearly looking to rebuild the trust and confidence of regulators, investors, and customers by adhering to strict compliance policies. It's attempting to get its license reinstated — reflected by the 50% bump in the stock price.

The stock rise also provides CannTrust some breathing space, as it needs to be above \$1 to be listed on the **New York Stock Exchange**. CannTrust's stock had touched an all-time low of \$1.15 last week.

Several cannabis stocks, including CannTrust lost value in the last week due to **Hexo's** [tepid preliminary guidance](#) for its fiscal first quarter of 2020 (ended in August). Hexo also withdrew its guidance for 2020, sending cannabis stocks tumbling.

But, yesterday **Aphria's** better-than-expected results resulted in solid gains. While Aphria stock was up 15.5%, **Aurora Cannabis** and **Canopy Growth** rose 2.3% and 3.4% respectively. The **Horizons Marijuana Life Sciences ETF** also gained 5.1% on October 15, 2019.

The verdict

In a bid for survival, CannTrust had restructured its workforce in September 2019. The company reduced its workforce count by 20% or 180 employees, which will result in annual savings of \$9 million while severance packages stood at \$2 million.

CannTrust has restarted on a right note and focused highly on compliance. Will its suspension be revoked or will the company go under?

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Date

2025/07/06

Date Created

2019/10/16

Author

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