Cannabis Investors: Why I Wouldn't Be Buying CannTrust (TSX:TRST)

Description

By now, most investors are aware of the problems **CannTrust Holdings Inc** (TSX:TRST)(NYSE:CTST) has had over the last few months.

This week, it was announced that it would destroy another $77 million dollars of cannabis to try to improve its chances of having its license renewed with Health Canada.

Although it made the stock jump, for me, I believe it's too little too late.

CannTrust has lost the trust of its patients, customers, the regulators and investors. It was a seemingly top cannabis company that caught a lot of people off guard and lost a lot of investors their money.

Even if CannTrust is allowed to continue its operations, it won't be the same stock. The trust it lost with the main clients it deals with, as well as the public is a big deal and finding replacements won't be easy.

It's clear from its stock movement, that since the news broke investors have wanted to distance themselves from the toxic nature of the company, and many aren't willing to wait for a turnaround.

At the same time there are a number of other opportunities and substitutes for investors, consumers and patients to look at.

By the time it gets back on its feet, if it ever does, it will be well behind its competition, and will have a tough time growing into what it once was.

One stock cannabis investors could look at as a substitute for CannTrust is **Organigram Holdings Inc** (TSX:OGI)(NASDAQ:OGI).

Organigram is one of the leading cannabis companies in Canada. It's one of only three companies to have a distribution agreement with all 10 provinces, as well as being one of only two licensed producers to have investments in biosynthesis technology.

Its three-level indoor facility in Moncton gives Organigram one of the largest indoor facilities in the world. In total, the company has 76,000 kilograms of licensed capacity today, with the potential for more down the road.

Organigram is a top stock for investors because its management is strong and the company has shown itself to be a prudent cost-cutting machine, which has helped it to become one of the first companies in the industry to reach profitability.

Its already low cost of cultivation and high-quality product is what makes Organigram one of the top producers, both for investors and consumers.

It continues to manage its balance sheet to remain in a strong financial position. Additionally, it's looking for efficiencies to decrease costs, which will help profitability.

Currently, the company' all-in costs per gram is less than $1.30, one of the lowest in the industry, especially for an indoor grower.

Its newest expansion will house the edibles and derivative production facility. The expansion is expected to be completed in October just in time for the legalization of edibles and extracts. The total cost of the expansion was estimated to be around $50 million of capital expenditures.

As of today, companies can now begin to submit their edible and derivative products to Health Canada, which has opened up another sub-sector for this growing industry that many companies are eager to get their foot in the door.

All of these new developments are passing by CannTrust while it watches and can do nothing at the moment. This period of sitting and waiting will certainly affect its ability to compete if it ever gets its operations up and running again.

Coupled with its loss of trust from the market and consumers, that give it a tough road ahead — and it's the reason I wouldn't bother investing in CannTrust.

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