



## Did CannTrust (TSX:TRST) Investors Just Get Some Great News?

### Description

Ever since we learned that **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) was in [violation](#) of Health Canada's regulations, it's been nothing but a headache for the company's shareholders. Since July, the stock has lost more than 70% of its value, destroying many portfolios along the way.

It certainly hasn't helped that the scandal grew in size. Not only have multiple sites gotten into trouble, but the egregious way that the company is alleged to have covered up for its illegal growing with building fake walls has put CannTrust in the spotlight for all the wrong reasons.

However, investors may have gotten a glimmer of hope when earlier this week Health Canada reinstated the licence of Bonify, a cannabis producer based out of Winnipeg. The company previously had its licence suspended for selling illegal products. It's also the first time that a licence has been reinstated and it could give hope to CannTrust that it too might be able to get its suspension lifted.

Bonify was able to convince regulators, through the changes it had made, which included addressing what the company referred to as a "deterioration of culture," that it had cleaned up its act and improved its procedures to ensure the safety of its products.

### What does this mean for CannTrust investors?

The news of Bonify getting its licence back certainly gives CannTrust a glimmer of hope that there may be a way that the company gets its licence back as well. The challenge is that we still may very well be months away from learning of a final decision from Health Canada on CannTrust. Bonify CEO George Robinson says that it took about 11 months for the company to get its licence back.

The important takeaway from this is that there has now been a precedent for reinstatement set. And while it doesn't mean that there's a one-size-fits-all approach that is going to guarantee if CannTrust follows the same steps it will reach the same fate as Bonify, Robinson at least has knowledge of what approach is needed to be successful with regulators.

## Why CannTrust investors shouldn't get excited just yet

While the news might be encouraging for CannTrust, that doesn't mean that reinstatement is likely. Let's not forget that a company did have its licence [revoked](#) by Health Canada earlier this year after engaging in "unauthorized activities" and it too was taking measures to address the issues.

What puts CannTrust at a disadvantage is both the magnitude of its infractions and how public they've become. And not only that, but the reason Bonify had its licence suspended is very different from why CannTrust lost its licence. Not only is the scale of CannTrust's infractions bigger, but if the allegations of fake walls are true, then the company also went to great lengths to cover up the issues. There would be a lot more to fix from a governance standpoint for CannTrust than there would be for Bonify.

## Bottom line

If CannTrust were to get its licence back, the stock could double or triple, in an instant. However, the reality is that's a longshot from happening and there's also a chance that the stock could go to zero if the company's licence isn't reinstated. It's a very high-risk, high-reward scenario that investors shouldn't take lightly.

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### Date

2025/08/21

### Date Created

2019/10/25

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