



Layoffs, Licences, and Losses: Inside CannTrust's (TSX:TRST) Horrible Year

Description

CannTrust Holdings (TSX:TRST)(NYSE:CTST) has been one of the worst-performing cannabis stocks of 2019. Down 78% year to date, it has dramatically underperformed the **Horizons Medical Marijuana Index ETF**, which tracks the cannabis sector as a whole.

CannTrust's 2019 slide has been driven by a series of unfortunate events, some of which call into question the company's ability to keep selling cannabis. As you're about to see, CannTrust has already lost at least \$77 million worth of revenue to the scandals it's been involved in this year — and the worst may be yet to come. I'll reveal why that is in just a minute. First, let's take a look at how this can of worms got opened in the first place.

The shot heard round the industry

CannTrust's woes began in August, when a whistleblower tip caused Health Canada to learn of unlicensed growing at five of the company's facilities.

Immediately, Health Canada placed holds on about 5,200 kilograms of the company's inventory. Then the company placed a voluntary hold on another 7,500 kilograms of its own inventory.

Next, the Ontario Cannabis Store started sending product it had previously bought from CannTrust back to the company.

Finally, the company voluntarily destroyed \$77 million worth of its own inventory in a bid to improve compliance.

All of the events described above had a negative impact on CannTrust's ability to generate revenue in this quarter. However, the most concerning development for the company is an unwanted gift that could keep on giving for a long, long time.

CannTrust's licence gets suspended

It's one thing to have holds placed on your inventory, have your customers return product to you, and be forced to [destroy \\$77 million worth of your own product](#). It's quite another to have your right to sell product revoked altogether.

Unfortunately, that's just what happened to CannTrust.

On September 18, the company received a notice from Health Canada that its [licence had been suspended](#). Specifically, its licence for standard cultivation had been partially suspended, while licensing for processing, medical sales, and research had been completely suspended.

This was a much bigger blow to the company than any holds or returns. With the suspensions in effect, the company won't be able to sell medical cannabis, and will inevitably lose out on massive amounts of revenue. On the bright side, we recently saw another suspended producer, Bonify Holdings, get its licence back. So, perhaps CannTrust could turn it around. But that remains to be seen.

Either way, CannTrust's next quarterly report comes out on November 13, and it will be one to watch, because it will show just how much money the company has lost to the myriad holds, suspensions, and returns it has been subjected to.

Layoffs

Another point of concern for CannTrust is the layoffs it has been handing out recently.

Last Friday, CannTrust announced that it would be laying off 140 workers — about a quarter of its workforce. That's significant because it indicates that the company is preparing for lower production in the future. Cannabis cultivation is a labour-intensive activity, and greenhouses require a lot of workers. If CannTrust is laying off 25% of its staff, it may be preparing for a future where it's cultivating a lot less cannabis than it did in the past. If that's the case, then shareholders should brace for more pain to come.

CATEGORY

1. Cannabis Stocks
2. Investing

POST TAG

1. Cannabis
2. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Tags

1. Cannabis
2. Editor's Choice

Date

2025/08/21

Date Created

2019/10/30

Author

andrewbutton

default watermark

default watermark