



## Is There Hope for CannTrust (TSX:TRST) Investors After a 6% Gain Last Month?

### Description

We know several cannabis stocks continued to decline in October 2019 to touch new 52-week lows. **CannTrust** (TSX:TRST)(NYSE:CTST) surprisingly has gained over 6% since the end of September 2019.

CannTrust stock is currently trading at \$1.58, which is 90% below its record high. The company was accused of [growing cannabis in unlicensed facilities](#) in July, which prompted an investigation from two Canadian regulatory bodies — Health Canada and Ontario Securities Commission.

In September, Health Canada partially suspended CannTrust's licence, prohibiting the company from selling and producing cannabis. CannTrust is still allowed to cultivate and harvest existing marijuana crops.

CannTrust soon [outlined a detailed set of guidelines to revoke this suspension](#). The company claimed to have identified measures to ensure growing and selling cannabis products in line with existing regulations.

These steps included increasing employee awareness and inventory tracking. CannTrust also destroyed \$65 million worth of inventory last month, which were unauthorized as per its licence.

It is quite clear that CannTrust is looking to rebuild the trust with the regulatory bodies and wants to get its licence reinstated as soon as possible. In September 2019, CannTrust had to let go of 20% of its workforce in a bid for survival. This will give the company some breathing space, as the lay-offs will result in cost savings of \$9 million.

## CannTrust is revamping its board of directors

Last week, CannTrust's press release stated that the company is in the process of renewing its board of directors. John Kaden resigned as a board member, a position he held since October 2018. Kaden was part of the Special Committee that was created to investigate the causes of CannTrust's non-compliance with Health Canada regulations.

Kaden stated, "With its remediation plan now underway, I believe CannTrust is well positioned to fulfill its commitments to both bring the company into full regulatory compliance and seek the full reinstatement of its licences. I was honoured to work with the Special Committee to help place CannTrust in this position."

CannTrust will also search for additional executive team members that also includes a permanent CEO.

## What next for CannTrust and investors?

CannTrust provided an update of its remediation plan on October 24. It has submitted a detailed plan to Health Canada and expects to complete all activities described in the plan by March 2020. The plan includes details about a comprehensive internal training program, a strong governance and operations framework, and infrastructure enhancements.

CannTrust aims to recover all unauthorized cannabis products sold from retailers and distributors that have not been sold to the end consumer. The company will be reducing its workforce further to align with reduced operations.

CannTrust is trying its best to get the licence ban revoked. But it might all be too late if Health Canada goes ahead with a permanent suspension. CannTrust will also have to make sure that its stock price does not fall below \$1 in order to be listed on the New York Stock Exchange.

Investors who bought CannTrust shares in the past year have nothing more to lose but everything to gain in case the company is authorized to start producing marijuana once again.

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