



WARNING: CannTrust (TSX:TRST) Could Be De-listed From the TSX. Avoid This Stock!

Description

With holiday season approaching, you might want to take a good look at your investment portfolio to see what you can do to change things up a little bit. A lot has happened over the past 12 months, with the legal cannabis sector, which was legalized in October 2018, being a particular area of investors' interest.

The legal marijuana industry showed a lot of promise, but it hit quite a few snags on its way. The entire sector is down by a significant margin since its all-time highs some time back. One of the notable incidents that rocked the whole industry is the [scandal](#) involving **CannTrust Holdings** (TSX:TRST)(NYSE:CTST).

What happened?

If you do not know about it already, I will give you a precise account of what happened. Regulatory bodies like Health Canada regulate the legal cannabis industry. Authorities want to make sure that all of the products entering the market to reach consumers are controlled, safe, and compliant with legal and health standards.

The reason the illegal industry continues to boom is that it faces no regulatory restrictions or quality control standards. Unlicensed sellers can sell their goods at lower prices, affecting the legal industry's market share by a significant margin.

Enter CannTrust Holdings as the would-be saviour of the legal marijuana industry. In an attempt to revitalize its line of products, the company was growing black market weed in secret rooms within its facilities. CannTrust got caught in the act, so it is safe to say that many people do not trust CannTrust anymore. The CEO was fired, regulators have been busy scrutinizing the company's financial documents, and now exchanges are threatening to take the company's stocks off the board.

CannTrust might be down and out

In light of the scandal, Health Canada allowed the company to make amends for its actions. Regulatory bodies have offered CannTrust until March 25, 2020, to file its audited financial restatements for the year 2018. If the company fails to do so, the Toronto Stock Exchange might finally de-list CannTrust. Trading at \$1.03 per share, TRST stock might end up amounting to nothing at all.

A financial restatement is something that publicly traded companies need to file when authorities find a company conducting questionable activity and misreporting its financial data. The trouble started for CannTrust when regulators discovered secret grow rooms in its facilities towards the end of 2018.

Health Canada suspended CannTrust's licence to produce and distribute marijuana in October 2019. The company also lost \$77 million, as it had to discard inventory since it was not possible to determine how much of it was even [legally grown](#). To save money, the company ended up laying off around 140 employees.

Foolish takeaway

There is very little I should need to say about CannTrust in light of all this information. CannTrust announced on November 26, 2019, that the TSX might de-list its shares. If you own any shares of the company even now, my advice would be to take whatever you have left and invest it elsewhere. Likely, the stock will completely tank when March 2020 comes.

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