



What's Next for CannTrust (TSX:TRST) After a Continued Listing Notice From NYSE?

Description

Shares of **CannTrust** (TSX:TRST)(NYSE:CTST) fell over 9% yesterday. While the stock declined due to broader market sell-off, the company announced that it has received a notification from the New York Stock Exchange (NYSE).

The notification states that CannTrust stock has failed to comply with NYSE's continued listing standard rules. NYSE requires the average closing price of a stock to be at least US\$1.00 for a consecutive 30-day period. In the last 30 trading days, the average price of CannTrust shares was US\$0.97.

On December 10, CannTrust closed trading at \$0.836 on the NYSE, down 8.1%. The stock fell by another 1.9% to \$0.82 in after-hours trading. Now, as per NYSE's rules, CannTrust has a six-month time frame from the receipt of this notice to regain compliance. The company's share price will still be listed on the NYSE for the next six months.

In these six months, CannTrust can regain compliance at any time provided the closing price of its common shares are at or above US\$1.00 on the last trading day of every month. Further, the average closing price of the last 30 trading days needs to be at or above US\$1.00.

CannTrust stock has lost 92% since March 2019

The problems for CannTrust continues to pile on. The stock is now trading 92% below its 52-week high. Last month, the Toronto Stock Exchange (TSX) advised CannTrust that it needs to review the latter's eligibility to continue listing on the TSX.

CannTrust had reportedly failed to satisfy certain disclosure requirements, such as preparation and filing its restated audited financial statements for the year ended December 31, 2019, and the restated interim financial statements for the first three quarters of 2019, as well as the management's discussion and analysis for these periods.

CannTrust has until March 25, 2020, to furnish these documents, or the stock will be delisted 30 days after this date. On December 5, CannTrust provided investors with a status update regarding the delisting status. CannTrust confirmed that it is working with an independent auditor to complete the restated audited financial statements. The company expects the statements to be ready by the end of the calendar year.

As of November 30, 2019, CannTrust had \$185 million in cash and no debt obligations.

CannTrust is valued at \$118 million

CannTrust's market cap stands at \$118 million. But this valuation has no meaning if the company's licences remain suspended. We know that CannTrust was found growing cannabis in unlicensed production facilities. This led to the suspension of CannTrust licences. I had [then warned investors](#) that CannTrust stock may well trade below \$1 and get suspended from the NYSE.

Over the last few months, CannTrust has [tried to regain investor confidence](#). The company outlined a detailed set of guidelines to revoke the regulatory suspension. It also identified measures such as increasing employee awareness and inventory tracking to sell products in line with regulatory requirements.

In October, CannTrust destroyed \$65 million worth of unauthorized inventory showcasing its intention to get its suspension revoked.

It has been a roller-coaster ride for CannTrust investors in 2019. While most cannabis stocks have experienced a sell-off this year, CannTrust has been fighting for survival and continues to stay afloat at least for the time being.

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