Best for Canada: CannTrust (TSX:TRST) Stock's NYSE Delisting

Description

In a media release last week, the New York Stock Exchange warned **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) that its U.S.-traded stock price fell below the US$1 minimum needed to qualify for listing. A stock market delisting may be best for the struggling marijuana stock and Canada. The company might do better focusing its energy on meeting the requirements of the **Toronto Stock Exchange**.

In July 2019, CannTrust's board of directors fired then CEO, Peter Aceto. After an investigation, the company determined that Peter Aceto was complicit in numerous Health Canada licensing violations. Health Canada discovered hidden marijuana grow rooms in some of CannTrust's facilities.

After firing Aceto with cause, the board asked the former CannTrust chair, Eric Paul, to resign, presumably on suspicion that he was also involved in the scandal. It has been about six months now that CannTrust has been unable to grow and sell marijuana legally in Canada. The stock continues to work toward satisfactory remediation with Health Canada to regain licensing and public trust.

Less paperwork: Easier to meet stock market requirements

CannTrust's TSX shares trade for $1.13 per share at a combined market capitalization of $159 million. The TSX has also warned of a possible de-listing if CannTrust does not file the required financial restatement for 2018 by March 2020. Due to the scandal, CannTrust must revise last year's annual financial statements to account for all its business activities.

CannTrust either has too much to do, or it might be delaying the release of these documents in fear of the resulting market moves. TSX-listed cannabis stocks need to maintain a minimum float of 0.04% of the overall **S&P/TSX Composite Index** to remain listed on the TSX. The company could benefit from less regulatory responsibilities to focus on one thing at a time.

Shareholders have already lost enough money, indicating that there may not be enough demand to warrant a stock market listing on the U.S. exchange. If you had purchased CannTrust in December 2018, you would have lost nearly 85% of your initial purchase value. Further, it just adds to the workload of a company already burdened with too much work and too little cash to hire the employees necessary to complete everything.

NYSE stock market regulations are just too complicated

The NYSE is too complicated a legal labyrinth for cash-strapped marijuana corporations like CannTrust. By sticking to its home turf on the Toronto Stock Exchange, CannTrust will benefit from more time to concentrate on rebuilding trust with the Canadian government.

Even with the passage of the SAFE Act in the U.S. House of Representatives, Canadian cannabis stocks still face strict rules to qualify for a stock market listing on a U.S. exchange. Thus far, Canadian pot stocks can only list on the NYSE and NASDAQ if they do not sell marijuana in the United States. Cannabis stocks then face a tradeoff: a restricted financing market or a reduced geographic playground.

The U.S. and Canada are both highly competitive markets in the newly legal cannabis industry. CannTrust is already missing out on the most crucial period for marijuana companies to compete over market share in Canada.

The U.S. is slowly loosening regulatory barriers for Canadian companies. However, the SAFE Act still has to go through the U.S. Senate before reaching U.S. President Donald Trump’s desk for his approval or veto. CannTrust may be better off sacrificing the NYSE listing in favour of fewer costs from regulatory burdens.

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