



2 Weed Stocks to Flat-Out Ignore in 2020

Description

2020 might turn out to be a green year for the green industry of cannabis. How far the cannabis companies will go is hard to predict. Recreational marijuana products like edibles, beverages, and vapes give the legal marijuana industry an edge over the black market. But in terms of the per gram price of weed, the industry is still struggling and will most likely keep struggling for a while more against the black market.

That being said, the chances that most players in the cannabis industry will find their groove this year are much higher than last year. But not all cannabis stocks stand an equal chance of recovery. Some might even be downright risky. Two weed stocks that you may want to avoid this year are **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) and **Namaste Technologies** (TSXV:N).

A tiny medical cannabis company

CannTrust is a small medical cannabis company, with a current market cap of \$168.8 million. Despite having one of the largest and advanced greenhouses in North America, the company didn't show adequate resilience in last year's carnage of the cannabis industry. The stock fell over 80% last year, and it's still not showing signs of gaining upward momentum.

CannTrust suffered some serious legal and trust issues past year. The company had to destroy about \$90 million worth of cannabis products because of the unlicensed cultivation rooms that the company was running. But the financial blow was nothing compared to the loss of investor trust the company suffered. The CEO and president were fired as a consequence of this legal debacle.

A small market cap company that is rife with legal problems and still [struggling to get production](#) licences back in order is unlikely to ride the momentum cannabis industry is expected to achieve in 2020. It might be prudent to stay your hand from this stock and check back on it next year.

A techy cannabis company

Namaste Technologies, a company with plans to become the **Amazon** of the cannabis industry, doesn't seem to be delivering on its prospects. The company reported a profit margin of negative 262% and an EBITDA of negative \$38 million. The company is trading at a yearly low of \$0.35 per share, which is the result of 76% depreciation in one year.

Namaste Technologies is also a small company with a market cap of only \$113.3 million as of now. The company has a diversified cannabis operation and impressive global reach, but the company's balance sheet and returns don't reflect its online growth.

As a tech company, the company might have strayed from an unrewarding cannabis industry, but it didn't. This refusal to deviate from a path with an uncertain destination [might pay off](#) sometime in the future, but the chances of it happening in 2020 do not seem very high.

Foolish takeaway

Whether or not 2020 will be the year for the cannabis industry is yet to be seen. But like any potentially recovering sector, there are players that you might want to bet on, hoping for an impressive recovery. Similarly, there are stocks that, even at dirt cheap, might not get you the returns you hope for. CannTrust and Namaste Technologies might be such stocks.

CATEGORY

1. Cannabis Stocks
2. Investing

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1. Editor's Choice

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