



## 2 Profitable U.S.-Focused Cannabis Companies You Should Consider Buying

### Description

The marijuana industry in Canada is currently evolving at a fast pace. Sales have gone through the roof since recreational use of pot was legalized last year. However, many marijuana companies are choosing to do business south of the border; after all, the U.S. is the largest market in the world. Let's look at two U.S.-focused pot companies investors should keep an eye on: **Curaleaf Holdings** ([CNSX:CURA](#)) and **Charlotte's Web Holdings** (CSNX:CWEB). Which is the better buy?

### The case for Curaleaf Holdings

Investors not yet familiar with Curaleaf should catch up; the Vancouver-based firm recently announced the largest U.S.-focused acquisition in the marijuana industry to date.

This is quite the accomplishment, especially considering there have been many such acquisitions in recent months, each bigger than the last. Curaleaf agreed to acquire **Cura Partners** — a Portland-based cannabis oil producer — for an all-stock deal worth \$1.27 billion. Curaleaf will relinquish about 16% ownership to Cura Partners.

This deal will bolster Curaleaf's already strong operations. The firm boasts 44 dispensaries, 12 cultivation sites, and 11 sites across 12 U.S. states. Note that since the interstate transport of marijuana is illegal (due to it being classified as a controlled one substance), Curaleaf is forced to grow and sell cannabis within the bounds of a particular state. Curaleaf's operations were concentrated in the east, but that is set to change with the Cura Partners acquisition.

Curaleaf's revenues are very respectable by industry's standard. For Q4 2018, the company reported revenues of US\$31,961 (about \$42,968). Among the biggest Canadian pot companies, only **Canopy Growth** and **Aurora Cannabis** reported higher earnings.

Curaleaf also posted a gross profit margin of 50%. Though the firm isn't yet profitable, its recent acquisition should help its sales and revenues skyrocket further. The future looks bright for Curaleaf.

## The case for Charlotte's Web Holdings

Few companies benefited from the passage of the Farm Bill as much as Charlotte's Web did. The piece of legislation that made hemp legal in the states led to a significant rise in the number of retail location the firm owns and operates.

The Colorado-based firm now owns over 6,000 retail locations across the U.S, which is more than 60% the number it had at the end of 2018. Charlotte's Web's production capacity is likely to follow a similar progression. Last year, the firm planted 300 acres of hemp — a more than 400% increase from 2017. Charlotte's Web is set to at least double that number this year.

Charlotte's Web boasts [excellent](#) financial results. During the fourth quarter of 2018, the company reported revenues of US\$21.45 million and a net income of US\$3.15 million (or about \$28.83 million and \$4.23 million, respectively).

The marijuana company has been consistently profitable for a while now, though its earnings are a bit volatile. Charlotte's Web's share price soared during the first quarter of the year but has slowed down since.

## The verdict

Both cannabis stocks have their strengths and their weaknesses. Curaleaf beats Charlotte's Web in terms of sales and revenues and is on the verge of significantly improving its prospects thanks to its acquisition of Cura Partners. However, it isn't consistently profitable yet, and still has to contend with pot being illegal at the federal level.

Charlotte's Web operates within the CBD hemp market, which is now a legal substance. The firm's production capacity and sales have been soaring, and it is already profitable. Though Charlotte's Web looks like the better buy right now, Curaleaf might have the better long-term upside.

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