



This Obscure Cannabis Company Could Rival Canopy Growth (TSX:WEED)

Description

The shares of cannabis forerunner **Canopy Growth** are down 12.87% since the [firing of Bruce Linton](#) as company CEO. The board of directors felt it was time to focus on profits rather than growth. Whether the decision was right remains to be seen.

Meanwhile, other weed companies, like **Charlotte's Web** ([TSX:CWEB](#)), are pressing forward. The obscure [weed company wants to gain headway](#) in a market that is projected to be worth billions of dollars globally. It's hard to imagine Charlotte's Web rivalling the giant, but one day it could happen.

Anchored on wellness

Charlotte's Web is known more for hemp products instead of marijuana. The management has set lofty goals in the CBD market where the company holds the industry-leading position. Investors should start taking notice. Charlotte's Web's power as a major player is about to be unlocked.

The company's vertically integrated business model is different from a typical cannabis producer. Charlotte's Web is not a producer or seller of medicinal or recreational marijuana and other marijuana-derived products. The company produces and distributes hemp-based cannabidiol (CBD) wellness products.

Exploiting the superiority

Charlotte's Web is taking advantage of the leading market position in the rapidly growing hemp industry. The 2018 U.S. Farm Bill protects the sale of hemp-derived CBD. Since Charlotte's Web's brand is already established and trusted, the company has a competitive advantage.

The market forecast of hemp-derived CBD retail sales in the U.S. alone is staggering. The estimated annual sales of US\$1.1 billion could rise by as much as 581.82% to US\$7.5 billion by 2023.

Charlotte's Web's over five years of experience in hemp plant cultivation will be put in good stead. The

company-operated farms in Colorado along with the partner farms in Kentucky and Oregon are cultivating a significant volume of hemp. In 2018, 306,818 kg of hemp was produced, a large increase from the only 26,636 kg produced in 2017.

Expanding the distribution channels to gain significant market share in the U.S. is a major initiative. National retail chains, drug stores, and specialty retailers will be added to the 6,000 retail locations. The e-commerce business or direct-to-customer channel via the company website has contributed 55% of sales in the fiscal year 2018.

Strong financial performance

Cannabis companies, including Canopy Growth, are reporting spectacular revenue growth but are incurring huge losses. However, Charlotte's Web is presenting a dissimilar financial performance. Revenue grew by 62.16% and 73.75% in 2017 and 2018, respectively. Last year, net income grew by 57.97%.

Charlotte's Web will have the impetus to scale cultivation and production given the positive industry trends. From the cultivation to manufacturing and distribution processes, the company can grow exponentially and maintain a strong performance.

Many will agree with my observation that the cannabis industry is in disarray and has yet to stabilize. If I'm looking to invest in a weed company, I'd go for the one that's growing revenue at a slower pace but reporting a large profit margin. Canopy Growth should restore order in the house, or Charlotte's Web could rise to the top.

CATEGORY

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1. TSX:CWEB (Charlotte's Web Holdings, Inc.)

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