



What's the Best Cannabis Stock to Buy: Charlotte's Web Holdings (TSX:CWEB) or Hexo Corp (TSX:HEXO)?

Description

Despite that cannabis stocks have sold off lately, there are two companies that I like lot as long-term investments for Foolish readers.

As the market for cannabis stocks as a whole has become as saturated as it has over the past year-and-a-half, perhaps it's not all that surprising that both of these companies happen to be operating well, let's just say, a little off the beaten path.

Charlotte's Web Holdings ([TSX:CWEB](#)) is North America's leading provider of CBD ("cannabidiol") products, which offer similar benefits to those traditionally found with medicinal cannabis treatments.

However, unlike traditional cannabis, the type of CBD products that Charlotte's Web creates don't contain any THC ("tetrahydrocannabinol"), the compound that's responsible for giving its users the "high" feeling that's long been associated with marijuana consumption.

As CWEB's products don't contain any THC, they're also much more appropriate for what might be considered as the more "at risk" segment of the market, including underage children or seniors who may be suffering from weakened immune systems due to their age or other medications they may already be on.

Then there's **Hexo Corp** ([TSX:HEXO](#))(NYSE:HEXO) a company which has also made clear its intentions to go after a niche market within the cannabis space.

The company's aim is to be the leading branded provider of cannabis as an ingredient for food ("IFF").

Last year it was successful in inking a deal to develop a joint venture alongside alcoholic beverage maker **Molson Coors Canada Inc.** that will see the two companies work together on a line of cannabis infused adult beverages under the Truss brand, slated to hit shelves later this December.

But it's also got much bigger ambitions than just developing cannabis infused beverages.

With products already in the market including pre-rolled cigarettes, oils, dry flower in addition to the world's first sublingual spray, this is a company appears hell-bent on continuing to innovate and lead the market in creating and launching new cannabis-based applications.

Branding itself around the mantra of “sleep, sport, sex and fun” and with supply agreements already in place with eight provinces including an estimated 30% leading market share in Quebec, it would appear as though it's already well on its way.

Who's the winner?

As I've written about before, [I won't be surprised at all](#) if one day the demand for CBD-based products surpasses that of the market for traditional THC applications, in fact I almost kind of expect that will be the case.

But despite that, already valued at a market capitalization of \$2.5 billion and with the estimated market for CBD in the U.S. forecast to reach somewhere between US\$6-8 billion by 2023, I have to think that CWEB may already be trading a little on the rich side of things.

Now of course it bears mentioning that the same would have been said of **Canopy Growth Corp** a few years ago, while today CGC stock is valued at more than \$14.6 billion.

But given that it trades at a considerably cheaper market capitalization while also operating in a part of the market that should ultimately create more value, and thus deliver greater margins, my conclusion at least for now, is that HEXO offers investors the better value between the two companies.

Meanwhile depending on how things shake out [once edibles officially become legal](#) later this year, I don't know how unlikely it would be if it were to be acquired outright by a larger consumer packaged goods company at some point down the road.

If that were to happen, and whether it would be Molson Coors or one of the other dozen or so Fortune 500 companies that management features in its latest investor presentation is something that remains to be seen.

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