



Should You Buy Shares of This Top CBD Company After Earnings?

Description

With the passage of the Farm Bill in the U.S. [at the end of last year](#), companies that focus on the hemp-based CBD market are experiencing strong sales and revenue growth. The future of this industry is bright, and **Charlotte's Web Holdings** (TSX:CWEB) is arguably better positioned than any of its peers to profit from it. The Colorado-based firm recently released its Q2 2019 financial results. Let's see how the pot company performed during the second quarter.

Top line keeps growing

Charlotte's Web was able to ramp its production capacity to new levels this year thanks to less restrictive laws. The firm's hemp acreage increased by 187% compared to 2018. This helped the company deliver strong revenue growth. CWEB posted a 45% year-over-year organic top-line growth. The company's gross margin of 75% — resulting in a gross profit of \$18.8 million — is also commendable. Finally, unlike many of its peers in the industry, CWEB has been consistently profitable for a while. During the second quarter, the company posted net earnings of \$2.2 million, though that represents a 40% decrease year over year.

Investing for the future

Charlotte's Web spent a lot of funds to increase its production capacity. This move came as a growing number of brick-and-mortar stores are carrying its products. CWEB's products can be found in over 8,000 retail stores in the U.S., including such major retailers as **CVS Health**. It isn't surprising that the company would spend the money necessary to keep up with this increasing retail presence.

Further, CWEB expects the demand for CBD-based products to continue on an upward trajectory. After all, the entire cannabis industry is growing, and the CBD market is especially appealing to both recreational and medical users. CWEB is also diversifying its product offerings. During the second quarter, the company introduced CBD-based gummies and a line of products for pets — the latter of which is already making the rounds.

The company secured two distribution partners for its products for pets. One of them is Pacific Pet , a California-based pet food store with a significant presence in the west coast. The other is Pet Food Experts, a store with a significant retail presence in about a handful of states.

Deanie Elner, Charlotte's Web newly appointed CEO, said the following: "We are experiencing increased momentum with large retailers as consumer awareness and interest in CBD grows. We believe we'll continue to see additional large retailers coming on board and expect an increase in the number of states and locations with our existing retail partners throughout the year. **Kroger** is the most recent example as they added four new states to their distribution in July, including Texas, which is the latest state to approve hemp CBD products."

The bottom line

If the demand for CBD product continues to grow, as CWEB is anticipating, the firm will likely remain one of the leaders in the market. With an increasing presence across U.S. states and a growing portfolio of products, Charlotte's Web might be one of the top companies to invest in to profit from the soaring CBD market.

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