



Better CBD Stock: Charlotte's Web (TSX:CWEB) vs. Cronos (TSX:CRON)

Description

While Canadians might be gearing up for the introduction of the edibles market, across the border, cannabidiols (CBD) have been the hottest trend as of late. CBD provides a lot of the medicinal benefits of marijuana without the actual high. CBD oil comes from the hemp plant, which is actually a cousin of the marijuana plant and not actually marijuana.

While hemp isn't legal everywhere, it's legal in enough areas of the United States for cannabis producers to see a huge market opportunity — especially as it's been proven to be completely safe for consumption. "In humans, CBD exhibits no effects indicative of any abuse or dependence potential," according to the World Health Organization. "To date, there is no evidence of public health related problems associated with the use of pure CBD."

In fact, there are some producers that have actually put the focus of its business almost solely on CBD products. Two such producers that investors might want to consider are **Charlotte's Web Holdings** ([TSX:CWEB](#)) and **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)). But of these two producers, which is the better buy right now?

Charlotte's Web

Charlotte's Web's strength comes from its position in the CBD industry. The company has been [producing for a while](#) now, even before the Farm Bill was passed in the United States. Since then, this has just opened up even more opportunities for the already strong company. The company is in the midst of boosting its production capacity, mainly because of the increase in its brick-and-mortar stores, of which it has 8,000 spread across the U.S.

Clearly, the company expects CBD to keep on a steady upward trajectory. Charlotte's Web recently increased its hemp acreage by 187% in 2019 compared to last year and has seen revenue growth of 45% year over year, even posting a profit of US\$18.8 million. As marijuana is legalized across different states, those who might not necessarily want the recreational side effects of cannabis can still enjoy CBD. That's why Charlotte's Web is looking for every opportunity to expand, including throughgummies and pet products!

The stock has had a bit of a slump but is still up almost 50% year to date.

Cronos

Another CBD heavyweight is Cronos, though, unlike Charlotte's Web, this company is seeing massive growth mainly through acquisitions. The company received a ton of cash from partner **Altria** and has been slow to using it up. Most recently, the company acquired Redwood Holding Group, an owner of popular CBD brand Lord Jones, for US\$300 million, giving it a position in the U.S. However, the company believes it's still as long as a year away from being set up in the U.S. CBD market.

Meanwhile, Cronos is striving ahead, especially through its earnings. The company recently announced an increase of 42% in its kilograms sold for the second quarter compared to the first, with net revenue increasing 58% to \$10.2 million. However, the stock is still down. While some analysts believe that Cronos is taking a more fiscally responsible approach to its growth strategy, investors are a bit more impatient, wanting to see some major moves from this company with all this cash.

The stock is currently down 3% year to date after seeing quite the rise in early 2019.

Foolish takeaway

Out of these two CBD buys, I would definitely consider Charlotte's Web over Cronos at this point. I tend to [stick with investors](#) on this one. Cronos still has a way to go to even try and compete with Charlotte's Web and hasn't made any big moves to excite me into buying it. Meanwhile, Charlotte's Web has a solid place in the CBD market and should continue to see growth for years to come. The fact it's already profitable is also an incredibly positive sign.

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