



This Obscure Weed Stock Is Down 9.9%: Is Now the Time to Buy?

Description

The declining bottom line of **Charlotte's Web** ([TSX:CWEB](#)) is still fresh in the minds of investors. After presenting a 40.5% drop in net income in its Q2 2019 earnings report, CWEB shares fell 9.9% to \$24.98. As of this writing, the price has slipped to \$22.67.

In Q2 2019, Charlotte's Web recorded its highest quarterly revenue total in its corporate history. However, investors weren't pleased to see the company's spending exceed total sales. Gross margin slid slightly from 76.7% in the prior year to 75.3%.

What hurts the company's earnings was the \$16.2 million operating expenses, which are 98% higher year over year. The employee head count grew by 41.6%, including the addition of several new executives to its crew.

But whatever the reasons, it's time to buy Charlotte's Web before the stock's [imminent turnaround](#).

Focus on a niche market segment

The recent quarterly numbers of the producer and distributor of hemp-based CBD products shouldn't cause you to lose interest in the stock. You should be looking at the bigger picture. If you want [a pure-play in CBD](#), Charlotte's Web is your best choice.

The Boulder, Colorado-based company is a little giant in the land of CBD. But the sellers of its products are giant retailers, namely **Kroger** and **CVS Health**. Charlotte's Web CEO Deanie Elsner says that CWEB's CBD products' finding its way into the mainstream is imminent.

Charlotte's Web would be a household name soon given the strong demand for its products. You can purchase CWEB products in 8,000 retail locations. The CWEB brand is not only strong in-store, but also through its online shopping site. Customers can opt for home delivery or subscribe to the services of Charlotte's Web.

The company is positioning itself as the ruler of the hemp CBD market.

The biggest window of opportunity

The legalization of hemp in the U.S. opened the most significant window of opportunity for Charlotte's Web. Also, you shouldn't overlook the fact that the focus of CWEB is on the hemp-derived CBD market in America.

The market segment alone could potentially grow from US\$1.18 billion in 2019 to US\$7.5 billion by 2023.

With such huge sales, the earnings of Charlotte's Web today are just the tip of the iceberg. By next Q1, the company's sales could surge to US\$60 million then consequently hit US\$100 million three quarters after.

Analysts are forecasting Charlotte's Web to achieve a quarterly revenue growth of no less than 300% from the quarter ending June 2019 to the quarter ending December 2020.

Profit machine

There would be plenty of competitors in this arena, but Charlotte's Web would be hard to beat. The company could quickly expand its distribution channels through Kroger stores.

More new distribution deals could be set up with drug stores and grocery chains. Pretty soon, you can expect a national rollout.

The cannabis sector is still full of intricacies and uncertainties. The only industry player that has the makings of a profit machine in 2020 and beyond is Charlotte's Web.

Today might be your last chance to buy on the dip, as I don't see the pot stock retreating further once the company shifts to high gear.

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