



This Cannabis Stock Gained Amid Massive Market Decline Yesterday

Description

The [underwhelming earnings of top cannabis players](#) have resulted in a bloodbath. **Aurora Cannabis**, **Canopy Growth**, and **Cronos** stock have fallen considerably in the last two trading days. ACB is down 36%, Canopy Growth is down 30%, and Cronos Group has slumped 27% since Friday.

While these cannabis giants continued to lose market value, there was one company that was trading in the green. Shares of **Charlotte's Web Holdings** ([TSX:CWEB](#)) were up close to 5% on November 18, 2019.

CWEB went public in May 2019

Charlotte's Web Holdings joined the cannabis bandwagon to go public in May 2019. The stock closed trading at \$17.88 on May 31 and rose to \$28.8 by August 13. It is currently trading at \$14.34, which is 52% below its record high of \$30.1.

CWEB too announced its third-quarter results last week and reported sales of \$25.1 million — organic growth of 41.8% year over year. While its B2C e-commerce sales rose 38.7%, B2B retail sales were up by an impressive 66.4%.

CWEB reported a healthy gross margin of 71.3% or 17.9 million in the September quarter. Though several cannabis companies are struggling with mounting losses, CWEB posted an adjusted EBITDA of \$0.7 million, indicating a margin of 2.8%.

The company ended Q3 with a cash balance of \$35 million and working capital of \$96 million.

Focus on the CBD space

While most pot stocks are looking to target the adult-use cannabis recreational market for growth, CWEB is focused on gaining traction in the cannabidiol market. The company has been able to create brand awareness among its portfolio of products.

CWEB CEO Deanie Elsner stated, "In an increasingly crowded, noisy and confusing CBD market, brands matter, and Charlotte's Web is the most trusted hemp extract in the world. Consumers are becoming more informed about product ingredients, production quality, and variances between CBD isolate and full spectrum hemp extract efficacy."

In the September quarter, Kroger Co. which is the third-largest grocery retailer in North America, expanded the distribution of CWEB products to five new states. The latter's products are now available in 22 states and 1,350 Kroger store locations. Vitamin Shoppe, an omnichannel retailer of nutritional products started selling CWEB's CBD gummies in 738 stores across 45 states in Q3.

CWEB is also targeting the pet-line segment for CBD product growth. The company introduced 12 new SKU pet-line products, which experienced 57% year-over-year revenue growth in the third quarter. It added two pet food and pet products distribution partners in Q3 and has access to close to 5,000 potential retail customers.

What's next for CWEB and investors?

CWEB has managed to increase sales from \$14.7 million in 2016 to \$40 million in 2017 and \$69.5 million in 2018. It has forecast sales between \$95 million and \$100 million in 2019. This is in line with consensus estimates of \$99 million. Analysts expect CWEB to post sales of \$148 million in 2020 and \$274 million in 2021.

This revenue growth will also boost CWEB's profitability. Analysts expect the company to increase EBITDA from \$8.9 million in 2019 to \$73 million in 2021.

CWEB is poised to take advantage of the high-growth hemp market in the U.S. with might touch \$22 billion by the end of 2022, up from just \$0.6 billion in 2018. The stock might be one of the few companies in the cannabis space that might move higher as we head into 2020.

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