



## This Cannabis Retailer Is on Course to Reverse a Negative Trend

### Description

**Namaste Technologies Inc.** (TSXV:N) stock gained 12.1% on Friday, November 30 after issuing a report that the cannabis retailer made record sales on its global online sales platforms during the Black Friday and Cyber Monday weekend, and there are fresh signals that the company could have returned to a strong growth trajectory.

Namaste Technologies operates the largest global cannabis e-commerce platform with over 30 websites in more than 20 countries and its product offerings include vaporizers, glassware, accessories, CBD products, and most recently, medical cannabis in Canada.

The company release another encouraging news piece on Monday, December 3 in which management reported record-breaking November gross revenue of "more than \$2.6 Million across its global online platform, representing approximately 52% growth from October 2018."

### Record revenue growth

Since selling off its high performing revenue growth driver Dollinger U.S. segment in December 2017, Namaste has been faced with a worrying sequential revenue decline trend quarter over quarter, with revenues recorded for the quarter ended August 31, 2018 coming in 30% lower than peak sales recorded for the quarter ended February 2018.

The February 2018 quarter included Dollinger revenues for December 2017

The lost growth traction was yet to be regained after the company exited the United States market due to stock listing regulatory challenges in Canada, where cannabis operations in federally illegal jurisdictions like the U.S. could have led to a delisting from the TSX and **TSX Venture** exchanges.

The \$1.25 million Black Friday to Cyber Monday weekend sales for Namaste this year were the “highest-ever sales figures for the company over the same weekend” and they significantly contributed to the November outperformance. The company expects stronger festive season sales across its global online platforms this year, while the newly launched CannMart store for medical cannabis in Canada is expected to generate significant sales.

I expect Namaste to return to sequential quarterly revenue growth in the coming earnings report for the quarter ended November 30, 2018 as estimated November and October revenues are already higher than the \$3.93 million realized for the previous quarter ended August 31, 2018.

The planned launch of newly acquired Buds2go online platform could further accelerate Namaste's growth in Canada and the intended imports of cannabis from outside the country, if permitted by Health Canada, could easily give Namaste a significant competitive advantage by affording it to supply product in a severely under-served market.

Interestingly, the strong revenue growth numbers were almost entirely from the sale of vaporizers and smoking accessories, although they included some medical cannabis sales through CannMart. The top line could grow faster if the company successfully launches a higher traffic Buds2go platform and is further permitted to import product.

Namaste's cannabis accessories business is booming across its worldwide platforms. One important factor about the product line is that the buyer profile most likely includes even those consumers of cannabis sourced from the underworld market, so the market for marijuana accessories could continue to register higher growth rates than otherwise legal consumption would dictate.

### **Do the latest news offer new hopes of a stock price recovery?**

Latest results for the year ended August 31, 2018 showed year over year revenue growth of 69%, but fourth quarter (ended August) sales growth was just 1% over the same period in 2017, but with an improvement in gross margin to 24% against 22% in a previous quarter.

It follows that the latest impressive monthly revenue growth figures could significantly lift Namaste's results for the first fiscal quarter of 2019 which closed on November 30, which would be somewhat bullish news on a growth stock which is now currently the [worst performing Canadian retail stock](#).

### **Foolish bottom line**

Namaste is gaining traction with its online presence and growing customer awareness for its offerings and the cannabis retailer's top line may continue growing even if legal cannabis sales falter due to limited supply availability as its vaporisers and smoking accessories product line may still serve consumers who purchase product from the illicit market.

That said, the growing company could face significant competition from **Shopify Inc.** in the long term, and the upcoming online presence of several other retailers in the next year could take away some growth opportunities, but there is great promise in the company's business line.

The stock is not without its fair share of short seller attacks, however, but the recent negative report on **Aphria Inc.** [appears insurmountable for now](#), and could unnecessarily drag some cannabis stocks into

deeper losses if not adequately handled and convincingly refuted.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSXV:LFST (Namaste Technologies)

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1. Investing

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