



Is This the Shopify (TSX:SHOP) of Legal Marijuana?

Description

Since legalization last year, marijuana stocks have been on an unprecedented growth spurt. The combined valuation of all the stocks in the industry has ballooned multiple times since the bill was first introduced in parliament.

However, as investors have poured billions into the top producers and sellers, savvy entrepreneurs have been working on building the infrastructure the ecosystem desperately needs. The best example of this is Toronto-based tech startup **Namaste Technologies** (TSXV:N).

Founded in 2005, the company has focused on infusing the legal marijuana market with technology. Over the past 14 years, the Namaste team has managed to create an online platform for cannabis-related services, vaporizers, and smoking paraphernalia served to over 1.5 million customers across the globe. According to its website, the company plans to become the biggest online store for all things green. In other words, it's the **Amazon** or **Shopify** equivalent of the cannabis sector.

Namaste's network of e-commerce sites and software platforms spans three continents and 20 countries and is serviced by five warehouses.

Cannmart, the company's core subsidiary, is one of the first Canadian online marketplaces for cannabis products. The team has struck supply agreements with a number of small cultivators in British Columbia to deliver high-quality, high-potency products to niche connoisseurs across the country.

Meanwhile, the company has also been investing heavily in innovative technologies to drive the industry forward. Its artificial intelligence platform, Findify, leverages the data collected on the company's journal app, Uppy, to study the medical impacts of different strains and suggest the right one to users.

The team has also received approval from Health Canada for its NamasteMD app — a medical cannabis consultations platform for eligible Canadians.

As far as I can tell, this tech-driven, vertically integrated approach is rare in this sector. The market

opportunity for online sales alone is huge, but the company is going the extra mile with critical data collection and AI algorithms to enhance the experience of consuming these products.

However, nearly every aspect of the business model is in its earliest phase of development at the moment. The company generated only \$18.6 million in revenue over the past 12 months and has negative cash flow. Like other startups in this space, the company's investment merit hinges on the growth potential and current valuation.

In terms of growth, Namaste has been on par with the rest of the industry. Annual sales are up 69%, driven by impressive growth of 364% in Canada, 261% in Germany, 188% in Brazil, 98% in Australia, 45% in United Kingdom, over the past 12 months.

Meanwhile, the stock trades at a mere 11.6 times annual sales. In the legal marijuana sector, this ratio is unusually low. The company also has \$34.4 million in cash on its book, which equates to \$0.11 per share. Shares are currently trading at \$0.70.

Bottom line

Namaste technology is focused on combining artificial intelligence and e-commerce to dominate the market for cannabis sales online. All the verticals it has recently added look promising, and the stock's valuation seems justified considering the potential for growth.

Investors seeking an opportunity in the overheated cannabis market may want to take a closer look at Namaste.

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