



## 3 Reasons the “Amazon of Marijuana” Could Save Itself and Its Shareholders

### Description

**Namaste Technologies** (TSXV:N), the so-called “Amazon of Marijuana,” is a dominant e-commerce player in Canada’s legal cannabis sector. Its online platform serves 1.5 million customers across the globe through a network of 30 e-commerce websites in 20 countries.

Since its initial public offering (IPO) last year, the company’s stock price has more than doubled, zooming from \$1.50 to \$3.75 in four short months. However, the stock has catered from its all-time high and is now down to \$0.7.

The catalyst was an allegation of fraud levied by a short seller that triggered an internal investigation at the company. That investigation eventually led to the ouster of chief executive officer Sean Dollinger. In their statement, the investigative team said they found “evidence of self-dealing” and “breaches of fiduciary duty.”

Now, Namaste is worth a fraction of its IPO price, is still losing money, and is considering a drastic shift in its strategy. Saying that the company is on the verge of collapse wouldn’t be an exaggeration. But here are three reasons the firm still has hope of a turnaround that could save its shareholders:

### New CEO is an experienced professional

Co-founder Sean Dollinger had a bit of a murky history that eventually led to the short seller taking a closer look at Namaste. Since his ouster, the company has managed to find a legitimate professional with relevant experience to take his place.

New CEO Meni Morim was the company’s chief product officer and director of artificial intelligence before being promoted this year. Morim was also the founder of AI-focused e-commerce company Findify, which was acquired by Namaste last year.

Morim’s long and verified track record of building technology companies could help Namaste turn the ship around and bolster the core product.

## Cash on book

Another reason Namaste could survive the current turmoil is the [cash it has on its book](#). In its last financial report, the company claimed to have \$74,000 in debt and over \$34.4 million in cash. The balance sheet seems robust enough to help the company survive while the management team figures out what to do next.

At the moment, the team claims to be considering a number of strategic options, including a buyout.

## Potential buyout

Probably the only way to save the company and protect shareholders is to sell the company to a larger competitor or private equity fund. Namaste may have the user base, intellectual properties, digital infrastructure or accumulated data to justify a buyout.

However, at \$200 million, the company's market value is anything but cheap. Even at a \$180 million enterprise value, the company trades at 10 times its annual revenue. A buyout may still be on the table, but I struggle to see how any company would be willing to pay the current market price.

## Bottom line

When it first debuted on the public market, Namaste seemed like a promising start-up that could fill a critical gap in the legalized marijuana sector. However, that dream fell apart over the past year.

Now the company's new CEO could position the firm for a buyout or invest the cash in bolstering the product, but the risks are simply too high for any investor to consider the stock anything more than a gamble.

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