



## 2 Reasons Namaste (TSXV:N) Stock Is a Bargain Right Now

### Description

**Namaste** (TSXV:N) stock was down 4.21% in early afternoon trading on August 12. The Toronto-based cannabis micro cap has retreated close to 52-week lows in recent weeks. This occurred in the face of a solid second-quarter earnings release in the middle of July. Today, I want to discuss why Namaste looks undervalued as we look ahead to the final weeks of summer.

### Cannabis sector has been throttled

The cannabis sector has suffered steady declines since the middle of spring. Large- and mid-cap producers have been plagued by disappointing sales, as production is still ramping up. Slumping sales have caused some stocks like **Canopy Growth** and **Aurora Cannabis** to stagnate. **Aphria**, a company that appeared to be in serious crisis, has rebounded nicely after becoming the first Canadian cannabis outfit to turn a profit.

Broader headwinds have also impacted cannabis stocks, which have been historically vulnerable to market turbulence. There are grumblings that a recession may be on the horizon due to slowing global growth and the worsening trade war between the United States and China. Yield curve inversions are flashing in major markets, and investors are piling into gold and silver.

Back in June, I'd discussed why cannabis may be one of the [safest sectors](#) in the event of a recession. Other so-called sin consumables like alcohol have been robust in turbulent economic periods. A global downturn is unwelcome, but it would still not be enough to reverse growth trends for the industry.

### Positive results and indicators for the stock

Namaste released its second-quarter results on July 18. Consolidated revenue was mostly flat year over year at \$4 million. The company finished the quarter with positive working capital of \$63.3 million, which positions it well for acquisitions going forward. In the past quarter, the company acquired an additional 34% in Pineapple Express Delivery, a cannabis delivery service, which bumps up its equity position to 49%.

It also entered a purchase agreement to acquire 49% of the issued and outstanding shares of Choklat, an Alberta-based chocolate maker that is moving into the edibles space. Cannabis edibles are set for legal launch in Canada later this year and are expected to develop into a lucrative market pillar.

Investors have seen how the rise of e-commerce has disrupted the traditional retail sector. Cannabis consumers tend to be younger and more tech savvy, which means the e-commerce model is well positioned for success in this space. Namaste has produced exciting results, but investors will be looking for growth of its online footprint in the sector in the back half of 2019.

Namaste stock had an RSI of 27 as of early afternoon trading on August 12. This puts the stock in technically oversold territory at the time of this writing. Shares have plunged 34% over the past three months. The sector has been historically volatile, and Namaste looks like a bargain as it hovers around 52-week lows.

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