



Market Rally 2020: Is Namaste Stock a Buy?

Description

Cannabis stocks continue to remain volatile this year. The ongoing bear market has driven several pot stocks to multi-year lows. However, the markets have somewhat recovered in the last month. Does this mean beaten-down pot stocks such as **Namaste Technologies** (TSXV:N) are a buy right now?

E-commerce giants, including **Amazon** and **Shopify** have managed to crush the broader markets this year. As people are largely staying at home with businesses and shopping malls closed, they are purchasing products online. Namaste is called “the Shopify of the cannabis segment” but has lagged the markets in 2020.

Namaste stock is trading 91% below record highs

Pot stocks have burnt massive investor wealth in the last year. After Canada legalized marijuana for recreational use, the stock prices of several companies were trading at expensive valuations. This euphoria did not last long, and cannabis stocks came crashing down due to lower than expected demand, health issues related to vapes, regulatory issues, mounting losses and rising inventory levels.

Shares of Namaste Technologies have lost close to 91% in the last 18 months, driving its market cap lower to \$96 million, compared to a valuation of \$1 billion back in September 2018.

So, is the company poised to make a comeback in 2020?

The company's business model

Namaste is a leading online platform that sells cannabis products and accessories. It has a comprehensive marketplace for pot products with 24 unique websites and five warehouses. Namaste sells products in 20 countries and this number should move higher as several regions might legalize cannabis in the upcoming decade.

Namaste is looking to leverage AI (artificial intelligence) technology to operate a personalized platform

to help customers purchase the right product. It has partnered with several licensed producers and built a solid product portfolio over the years.

Currently, Namaste sells a range of products including infused oils, dried flowers, portable vaporizers, rolling papers, bongs, multivitamins and hemp pet supplements among others.

Namaste should benefit from Cannabis 2.0

Last October, the Canadian government legalized cannabis-infused vapes, edibles and topicals. Namaste has a 49% stake in Choklat which is a premium, small-batch chocolate manufacturer in Alberta.

Choklat plans to produce cannabis-infused chocolates and drinks and this provides Namaste with an opportunity to enter the THC or CBD-infused edibles market.

According to a [Zion Market Research](#) report, the global cannabis edibles market is estimated to reach US\$11.6 billion in 2025, up from US\$2.37 billion in 2018. In Canada, the edibles market might overtake traditional cannabis sales in the near future.

What next for Namaste?

There are close to 200 licensed producers in Canada and several more in the United States. While these companies are in competition with each other, Namaste will enable them to grow sales as the cannabis market continues to expand.

In the last four quarters, Namaste reported sales of \$17.5 million. It means the stock is still trading at a high price to sales ratio of 5.5. In the last three quarters, sales fell over 9% due to a decline in revenue from Namaste vapes. This decline was attributed to the closure of its Brazilian operations in March 2019.

Further, the company is still posting a net loss. To attract long-term investors, Namaste will have to return to revenue growth and improve profitability. The upcoming results of the company will provide us deeper insights on the Namaste's turnaround efforts.

Namaste is part of a high growth segment. However, given its falling sales and lower profit margins, [there's significant risk](#), making it a risky buy even at its current price.

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