



Buy Alert: This Pot Stock Just Gained 26%

Description

Marijuana stocks are extremely volatile. Any news surrounding the company or the sector generally results in a significant movement of cannabis stock prices. Yesterday, shares of **Namaste Technologies** (TSXV:N) soared over 26% to close trading at \$0.31. However, there was no company-specific or even sector-specific news surrounding Namaste that drove the stock higher.

Similar to most cannabis stocks, Namaste has also burnt significant investor wealth in the last 18 months. Namaste stock has lost close to 90% in market value since September 2018 and is down 22% year to date. Let's take a look to see if the company can stage a turnaround by the end of 2020.

Namaste is an e-commerce platform

Namaste Technologies is a cannabis e-commerce company and sells vapes as well as smoking accessories in five countries through nine e-commerce sites. This packaged goods company is focused on the distribution and manufacturing of medical cannabis, cannabis-derived products, and accessories to customers in Canada, Europe, and Australia.

Namaste aims to build a scalable infrastructure that will create a foundation of growth and expansion opportunities in the upcoming decade. These strategies are targeted at improving gross profit, reducing non-strategic spending, and improving efficiencies.

This has allowed Namaste's management to introduce new product lines to consumers, which have helped the company increase sales in the last few quarters. In [the second quarter of 2020](#), Namaste reported sales of \$6.92 million, indicating year-over-year growth of 73% compared with sales of \$4 million in the prior-year quarter.

In the first six months of 2020, its sales grew to \$12.23 million, up from \$8.6 million in the prior-year period. Namaste attributed the revenue growth to the sales of cannabis products, which rose by \$2.2 million in Q2.

A significant drop in gross profit

However, Namaste's gross margin in Q2 stood at a paltry 9% compared with 18% in Q2 of 2019. This meant Namaste reported an adjusted EBITDA loss of \$4.7 million, well above its EBITDA loss of \$3.9 million in the prior-year quarter. This massive decline in gross margin was attributed to a change in product mix.

While Namaste's sales were up 73%, operating costs rose less than 12%, indicating high operating leverage. This should allow the company to improve the bottom line if it manages to reduce the cost of sales in the upcoming quarters.

Namaste said, "The company has implemented new strategies targeted at reducing corporate overhead and building the infrastructure to support the corporate vision. The execution of these transformational strategies is partially reflected in the results. Full annualized savings are anticipated to be realized in 2021."

In the fourth quarter of 2019, Namaste's quarterly loss stood at \$29.7 million, and the company has now managed to reduce net losses for two consecutive quarters on a sequential basis.

What's next for Namaste investors?

In Q2, Namaste's Canadian sales rose 338% year over year and accounted for 48% of total sales, up from just 19% in the May 2019 quarter. Despite a revenue decline in other international markets, the company's sales rose in Australia, Denmark, Germany, the U.K., and the U.S.

Further, the company's revenue growth momentum might continue to gain pace in the upcoming quarters especially if its subsidiary CannMart Labs receives licences to produce cannabis extracts in 2021.

However, Namaste [needs to improve profitability](#) given its cash balance was \$20.4 million at the end of May and it used \$6.6 million in Q2.

CATEGORY

1. Cannabis Stocks
2. Investing

TICKERS GLOBAL

1. TSXV:LFST (Namaste Technologies)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Cannabis Stocks
2. Investing

Date

2025/07/21

Date Created

2020/10/21

Author

araghunath

default watermark

default watermark