



1 Marijuana Stock I wouldn't Touch With a Barge Pole

Description

The number of cannabis companies has skyrocketed in recent years. With the stigma around marijuana evaporating before our eyes — and increasingly permissive laws being enacted by governmental authorities — there is no shortage of firms looking to cash in on this massive, once-in-a-generation opportunity. This does, however, put a lot of pressure on investors looking to profit from the marijuana craze.

At this point, it is difficult to know which pot companies will become successful in the long run. One that I think presents weak prospects, though, is **Namaste Technologies** (TSXV:N). Namaste isn't in the business of growing cannabis at all. The firm provides e-commerce online platforms to help cannabis distributors connect with their customers. Despite this rather interesting business model, below are two reasons why Namaste isn't a buy right now.

Online sales are lagging

Despite becoming legal late last year, sales of recreational marijuana started the current year a bit sluggish across most provinces and territories. Fortunately, business started picking up about mid-year or so. What is interesting about this trend, though, is the fact that there was one factor that was correlated with strong sales of cannabis products: the presence of brick-and-mortar stores. The rollout of physical stores played an important role in pushing sales of marijuana upward.

While we can't make too much of this trend yet, this cannot be good for Namaste Technologies. The company's success (or lack thereof) hinges on e-commerce style cannabis platforms being at least somewhat successful. If consumers overwhelmingly prefer shopping in physical stores, Namaste is in a world of trouble. Again, this trend may reverse in the future, but as things stand, it should be a stern warning to investors.

Strong competition

Namaste has sometimes been described as [the Shopify of the cannabis industry](#). That moniker ignores that the Shopify of the cannabis industry may turn out to be Shopify itself. The tech giant started signing deals in the Canadian cannabis industry months before marijuana became legal. In

February of last year, the Ontario Liquor Control Board (OLCB) announced a partnership with Shopify. The OLCB would use Shopify's platforms to direct online sales of marijuana within Ontario. Shopify then signed a similar agreement with the province of British Columbia.

Further, the tech firm also inked deals with some of the largest pot firms, including **Canopy Growth** and **Aurora Cannabis**. Finally, Shopify possesses an asset Namaste doesn't: strong brand recognition. If online sales of marijuana products become increasingly popular, Shopify would likely leverage its strong position within the e-commerce market and its already existing deals to acquire a notable share of the market.

The bottom line

Namaste will be fighting an uphill battle in the coming months and years to remain relevant in the crowded cannabis industry. The firm may end up becoming one of the leaders in its segment, but as things stand, Namaste's prospects do not seem attractive.

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