



Namaste Technologies

Motley Fool Exclusive: Namaste Technologies Announces Massive Medical Cannabis Partnership

Description

Few industries are operating at such breakneck speeds as the Canadian cannabis industry, with cannabis companies jockeying to gain traction and market share ahead of the October 17 recreational cannabis legalization date. But investors shouldn't get distracted from the ongoing opportunity with medical cannabis, which remains the most defined cannabis market in Canada.

Today, in an exclusive for Motley Fool Canada, we're going behind the scenes of [the latest major announcement](#) in the burgeoning Canadian cannabis market, which potentially has broad implications in the race for medical cannabis market share.

Bringing Medical Cannabis to Indigenous Communities

Namaste Technologies (TSXV:N) — a cannabis e-commerce business primarily selling hardware like vaporizers and other accessories — [today announced an exclusive agreement](#) with Indigenous Canadian Medical Dispensaries (IcMD), where Namaste Technologies will provide IcMD exclusive access to its NamasteMD telemedicine app to serve Indigenous communities, and IcMD will only use the NamasteMD platform for its online consultations with patients.

NamasteMD, which fully launched in January 2018, is a smartphone app that enables patients to have a free virtual consultation with a licensed health-care professional and obtain a prescription for medical cannabis. From there, NamasteMD then gives patients several options to fill their prescription and buy medical cannabis.

Namaste has partnered with approximately a dozen licensed producers (LPs) of medical cannabis, giving patients the ability to register with one of Namaste's partner LPs and order medical cannabis once they've received their prescription through NamasteMD. In exchange for referring patients (e.g. customers) to the LPs — what is technically called "education support grants" — Namaste receives a cut of each medical cannabis sale thereafter.

This agreement with IcMD enables Namaste to bring this model — virtual health care consultations,

medical cannabis prescriptions, and online retail selection — to the approximately 1.5 million Indigenous individuals and 3,100 reserves across Canada. In this case, NamasteMD won't just be offering medical cannabis prescriptions, but will also offer traditional pharmaceutical prescriptions as well — positioning NamasteMD to be the go-to telemedicine app for Indigenous communities.

Under no circumstances will opioids be prescribed through NamasteMD. Medical cannabis will be prescribed over pharmaceuticals when possible, but in both cases Namaste Technologies will earn a cut of referral revenue (whether from the medical cannabis LPs or, now, pharmacy partners).

Potential Impact of this Agreement

Namaste's management has publicly set a goal to acquire 50,000 patients through NamasteMD by the end of 2018 and 200,000 patients by the end of 2019. For context, at last count **Canopy Growth** and **Aurora Cannabis** have 82,000 and 65,000 medical patients, respectively (not including Aurora's merger with MedReleaf). If NamasteMD does indeed meet those ambitious patient goals, Namaste Technologies would potentially have the greatest number of medical cannabis patients in Canada of any cannabis company.

Management says NamasteMD has gained more than 6,000 patients thus far since its January launch. This partnership with IcMD is an opportunity for Namaste to both prove the use case of NamasteMD's technology and — if successful — accelerate the growth of its patient count far ahead of management's prior projections. Management says Indigenous communities have prescription order rates up to four times higher than the rest of Canada, making this a particularly valuable clientele.

There is also a social impact behind the agreement. Studies suggest that Indigenous communities deal with higher opioid prescription rates and opioid deaths compared to the wider Canadian populace. Much of the Indigenous population live in remote and rural areas that are already underserved when it comes to health care, let alone medical cannabis.

In fact, the recent cannabis legalization bill — C-45 or the Cannabis Act — was almost delayed by a year after some senators urged the government to spend more time consulting with First Nations, Inuit and Métis communities about the impact of legalization on the Indigenous. Although the bill still passed on time, this IcMD partnership represents a way to include Indigenous communities in Canada's changing cannabis landscape. In addition, 5% of net proceeds through the IcMD partnership will be returned directly to the Indigenous communities.

Given that current regulations mandate medical cannabis can only be purchased online in Canada — and brick-and-mortar health care infrastructure is already minimal in most Indigenous communities — the convenience of NamasteMD's telemedicine approach and wider selection of medical cannabis from numerous LPs (and pharmaceuticals) should have instant appeal.

Put another way, this is the ultimate use case for NamasteMD to prove the viability of the technology and service and the underlying business model.

What Investors Should Watch

With the IcMD partnership slated to roll out in the coming weeks, it shouldn't take long for investors to gauge the level of success of the partnership. If successful, Namaste should see a visible acceleration

of patient growth through NamasteMD and an uptick in overall revenue generation in the months ahead.

On the flip side, however, if Namaste *doesn't* see a noticeable jump in patients and revenue by the end of this year, it could be a yellow flag that the platform isn't resonating with end users as expected or is facing other headwinds. Although shares of Namaste are down nearly 50% year to date, expectations for future performance are still high with the stock trading for 17x sales. Any hiccup in future growth would likely spook investors and see the stock sell off.

More broadly, as cannabis companies scramble to brace for recreational legalization on October 17, investors shouldn't forget about the opportunity in the medical market. Sales of recreational cannabis will be heavily regulated — to different degrees, depending on the province — and initially limited to dried flowers and oils, with other forms like edibles and beverages expected beginning sometime in 2019.

In the early days of legalization, recreational cannabis will face far more restrictions than medical cannabis. Provincial governments are setting strict rules for the distribution and sale of recreational cannabis — in some cases monopolizing recreational cannabis retail altogether. Medical cannabis, on the other hand, can be shipped across provinces nationwide and companies can form direct customer relationships with patients.

As an e-commerce company, the landscape of the medical market plays to Namaste's strengths and will likely be the bigger growth opportunity for the company for at least the next year. And the company has high hopes that its subsidiary, CannMart, will receive a medical cannabis sales license from Health Canada this year.

If CannMart receives its sales license, it will be able to aggregate medical cannabis from various LPs and offer a wider variety of medical cannabis to NamasteMD patients. This would increase medical cannabis selection on the platform, and would make it easier for patients to access different strains and types of medical cannabis without having to update prescriptions and register with new LPs between orders.

This isn't to say the recreational cannabis market doesn't matter to Namaste or other cannabis companies; October 17 marks the beginning of what could very well be an emerging global market for recreational cannabis. However, for the time being, growth in medical cannabis patients is arguably the best sign of traction — both for Namaste and others — that investors should watch when it comes to the business of selling cannabis.

The Foolish Bottom Line

Through its new partnership with IcMD, Namaste Technologies looks to have exclusive access to hundreds of thousands of potential patients and repeat medical cannabis (and pharmaceutical) customers in Indigenous communities. By focusing first on its technology and e-commerce platform, this partnership could be a key milestone for Namaste to become one of the largest medical cannabis companies in Canada in the coming years.

All eyes are on Canada as the calendar moves closer to full recreational cannabis legalization on October 17. In the meantime, though, investors should pay close attention to the companies gaining share and acquiring patients in the medical cannabis space. This IcMD deal could push Namaste

Technologies toward the front of the pack by the end of 2018, making it a company cannabis investors should watch closely in the coming months.

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Date

2025/08/20

Date Created

2018/07/03

Author

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