



Shopify Inc. vs. Canopy Growth Corp.: Which Is the Better Long-Term Play?

Description

Investors looking for hyper-growth opportunities, seeking a group of companies in an industry with catalysts that could potentially take a group of well-managed companies substantially higher over the medium term, have had a hard time finding the right industry to choose of late.

Since the middle of last year, investors who chose to get in on the amazing “green rush” related to Canadian cannabis stocks have done quite well, despite a continued sell-off and pervasive softening of many marijuana-related stocks such as **Canopy Growth Corp.** ([TSX:WEED](#)) due to concerns I began [warning investors](#) of late last year. With the pot craze seemingly fizzling out (or at least taking a smoke break), growth-crazed investors are in search of the next industry that can propel portfolios forward for years to come.

In the context of industries I expect to outperform most others over the medium term in terms of growth, I have long considered e-commerce to be an industry to rely on for consistent higher rates of growth compared to most other industries. With the recent news of the purchase of **Whole Foods Markets** by **Amazon.com, Inc.**, the catalysts for this sector to continue to grow at incredible rates and outperform other high-growth industries (such as the Canadian cannabis industry) remain strong.

One of the technology gems I have been following for some time, which I believe has a decent shot to become an industry leader and cash in on the re-emergence of a global e-commerce revolution, is **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)). This company has seen incredible growth in its stock price over the past two years, supplemented by equally impressive revenue-growth rates hovering around 75% year over year each and every quarter.

As a long-term investor who prefers to assess companies on their ability to generate free cash flow, I find growth companies fascinating, but also riskier than companies with more predictable cash flows in industries I can understand better. That said, the growth argument cannot be ignored for Shopify, and growth investors are certainly making their point heard with this name, as the stock price continues to trend higher and higher, ignoring the laws of physics on its incredible upward trajectory.

Bottom line

I currently find both the Canadian cannabis industry and the global e-commerce industry to be more speculative grade than investment grade at the moment, and for that reason, I remain on the sidelines. But if I had to choose between Shopify and Canopy, in my opinion, the numbers simply point to one clear winner: Shopify.

Stay Foolish, my friends.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)
3. TSX:WEED (Canopy Growth)

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