



## Shopify Inc. Is a Buy-and-Hold Investor's Dream Stock

### Description

**Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) stock is up 102% year to date. That's on top of 62% appreciation in 2016. There aren't many stocks, tech or otherwise, that have this kind of short-term performance.

Heck, if you'd bought Shopify shares at its May 2015 IPO price of \$20.75, today, you're sitting on a 475% paper profit.

However, if you're a smash-and-grab type of investor, you might want to sell now, despite Shopify's stock being down more than 10% from its 52-week-high.

Why?

Because the company has an incredibly long-term, big-picture approach to its business that eschews profits for the betterment of its customers, not unlike Jeff Bezos's philosophy at **Amazon.com, Inc.**

Recently, Shopify co-founder and CEO Tobi Lütke [spoke](#) with Motley Fool co-founder Tom Gardner about the e-commerce company's philosophy about business.

Lütke made two things crystal clear in the interview.

### Change is good

If you like stability, whether we're talking about your job or investments, Shopify should scare you to death, because it's built on change.

"Thriving on change is a core part of the culture, probably the one which is the toughest to appreciate for the people joining," Lütke told Gardner. "So adjusting quicker to the reality, is something that's very important [at Shopify]."

Partly on purpose, but also by accident due to its location in eastern Ontario, Shopify tends to hire people who're aren't necessarily experts in the e-commerce business, but who are incredibly open to learning on the fly.

"We don't tend to hire too many industry insider experts. We tend to hire a lot of high future potential people. Often straight out of university," said Lütke. "Our interviewing process is more designed to tease that out, rather than how many years you have worked in the payments industry or something like that."

The downside to a corporate culture like this that thrives on change is that you can find yourself chasing after a lot of initiatives that ultimately fail to produce results. If you do this enough times, eventually, you'll find yourself lost in the woods with no idea how you got there or how to get back on track.

It's a business killer if not monitored carefully.

### **The next quarter be damned**

If you're investing in Shopify stock because it's beaten analyst earnings estimates in its three most recent quarterly reports — surprises of 17%, 32%, and 25% — eventually, you are going to be burned by an earnings miss because the company doesn't think about its business with a short-term view.

It thinks long term; decades, not quarters, are critical.

"There are lots and lots of things that we could do that would be short-term beneficial, given what we have," Lütke said. "But I make every decision based on what puts Shopify in the best position 10 years from now."

Although Lütke was answering a question from Andy Cross, who works with Tom Gardner at the Motley Fool in the U.S., about putting some of Shopify Capital's funds to work investing in other small- and medium-sized businesses, Shopify's CEO was explaining how the company makes decisions.

It would be so easy to create a venture capital arm, much like **Alphabet Inc.** has done with GV, formerly known as Google Ventures, but that wouldn't help more than a few of its customers get ahead.

Lütke and the rest of the Shopify team are committed to building a wide moat that enables millions of businesses to grow — something that takes time.

"We are going to be very focused on further reducing the learning curve that people have to go through for building businesses, because every single time we reduce the learning curve, it makes more entrepreneurs," Lütke told Gardner and company.

### **Bottom line on Shopify's future**

It probably seems counter-intuitive that a company that's done so amazingly well in its first two years as a public company would be a buy-and-hold investor's dream stock, but that's what Shopify is.

If you're only interested in short-term gains, Shopify is not the right stock to own because there will come a time when Lütke decides to do something that flies in the face of corporate self-interest.

And believe me, you're not going to like it.

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