

Shopify Inc.: Canada's Ultimate Tech Stock

# **Description**

**Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) is an insane stock, and one that many investors — including this writer — wishes they had bought a short while ago. Year to date, the stock is up 114%. And since the start of 2016, it is up nearly 250%. Generating that kind of paper return and only holding it for a year and a half is pretty unheard of.

And yet, in my eyes, Shopify has plenty of room to grow. With a market cap of only \$12 billion and a goal that is nearly as audacious as what Jeff Bezos had for **Amazon**, **Inc.** (NASDAQ:AMZN) when he first started, I believe this company is only getting started.

What Shopify is trying to do is democratize the e-commerce business for all small- to medium-sized businesses. In the past, if you'd wanted to launch an online store, you had to hire a designer and developer — typically, a specialist who understood things like Magento — to build a custom shop.

Shopify makes building a shop easy to do for a small monthly fee in the range of US\$29-299 per month. Once you put your credit card number in, you gain access to the entire infrastructure, and launching a new store is a piece of cake. With a fee this low, you've got a product that is sticky enough that customers won't want to leave.

Then there are the add-on products that increase the stickiness. These include its payment processing and shipping label products, along with Shopify Capital, which provides short-term funds based on how much volume your Shopify store does.

And finally, Shopify has partnerships with Amazon and **eBay Inc.** (NASDAQ:EBAY) which have opened their websites to Shopify merchants. These distribution channels mean that customers don't have to do as much work marketing their stores; they can just depend on the big guys.

These are great add-ons that you wouldn't get outside the Shopify ecosystem, which is what the company is banking on. It knows that if customers find success through its partnerships, Shopify Capital, and other products, they will be comfortable paying that monthly fee.

The numbers show just how successful the company has been with this strategy.

In the second quarter, Shopify's subscription solutions revenue grew 64% to US\$71.6 million compared to the second guarter of 2016. Its merchant solutions revenue grew by 86% to US\$80.1 million. This is because its gross merchandise volume grew to US\$5.8 billion — this is the amount of money earned from Shopify websites. The company also announced that it now has over 500,000 shops in its network from 175 countries.

Shopify has a lot of room for growth; however, because of how sticky its business is, it can focus on bringing new customers into the fold. As it makes partnerships like the ones with Amazon and eBay, shop owners that are hesitant to join will realize that the monthly fee is worth all the additional opportunities. And with an entire world of e-commerce waiting to be disrupted, I expect Shopify will continue to experience tremendous growth. The stock is expensive, but over the long term, I believe there is much profit for investors to gain.

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