



Why Shopify Inc. Might Be a Bigger Growth Opportunity Than You Think

Description

Earlier this month, **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) was the target of a particularly stinging report, which suggested that Shopify was nothing more than a “get-rich-quick scheme.”

That report was created and released by a U.S.-based short seller, which in itself should be enough to dismiss of most of the report.

The report also took issue with the references to the word *millionaire* on the website and on Shopify's **Facebook** page.

Does that really matter?

Investors should only be investing in companies they understand, and if there is an understanding of the underlying business model and an opportunity, then that opportunity should be capitalized on. The fact that Shopify mentions millionaires nearly 100 times on their website is immaterial.

What exactly does Shopify do?

Shopify is a tech company that specializes in creating online storefronts in a fraction of a time that more traditional means require.

Traditionally, creating a website involves purchasing a domain, developing the look and feel of it, adding content, and then adding the e-commerce functionality, such as the cart and ordering processes. The key point to consider here is that all of these tasks (and there are still others not mentioned) require a set of skills that not everyone has, and some of these tasks require a significant amount of time to build and test.

Shopify's solution is essentially all of this and more right out of the box. Because all of the components are modular, they are easily added to a Shopify site and have already been tested on the over 500,000 businesses already operating with a Shopify storefront.

In short, Shopify is a brilliant, yet simple solution to a business problem that has existed since e-

commerce went mainstream. The solution lets entrepreneurs focus on their businesses and lets the technology do what it was always intended to do.

Is Shopify a good investment?

Shopify touts the fact that over 500,000 businesses run its storefront and that over \$40 billion has been sold on the platform. Considering that Shopify itself has only been around a fairly short time, those are impressive stats that at least justify looking deeper at the company as an investment.

In terms of results, in the most recent quarter, Shopify saw an uptick of 75% in total revenue when compared to the same quarter last year, coming in at \$151.7 million. Subscription Solutions also increased by 64% to \$71.6 million. Gross profit saw an increase of 83% when compared to the same quarter last year.

The company sees that level of growth continuing for the remainder of the year, as new channels for shops to route their products are launched, and exposure to additional markets is added.

The recent report that criticized Shopify caused a pullback in the stock, which is now down over 18% in the past month. Looking back over a longer time frame paints an entirely different picture, however, with the stock is up over 110% year to date.

The stock pullback presents a unique opportunity for investors to purchase Shopify at a discounted rate. Shopify, in my opinion, remains a great long-term investment option.

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