



Tobi Lütke Is a Billionaire: Now What?

Description

What do you do or buy to celebrate becoming a paper billionaire?

The Toronto Star declared November 27 that Tobi Lütke, the founder and CEO of **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)), Canada's hottest e-commerce/tech stock to come down the pike in quite some time, has gained billionaire status.

According to the Bloomberg Billionaires Index, Lütke is worth \$1.1 billion thanks to his 11% stake in the company he founded in 2004. One of this country's only home-grown tech billionaires, this puts additional pressure on Shopify to continue to perform without pulling a Nortel.

As many investors followed the recent spat between Citron Research's Andrew Left, who was [shorting](#) Shopify stock, and the company over the authenticity of its business model, one couldn't help think about the rise and fall of Nortel, the former Ottawa-based tech company, and if the same thing would happen to Shopify.

Well, now that Lütke can check off "billionaire" from his bucket list, what's next for the e-commerce entrepreneur and, more importantly, Shopify as a company?

Business continues to be brisk

This year's Black Friday retail extravaganza is in the rearview mirror, and Shopify's numbers were extremely positive. Last year, its e-commerce platform enabled small- and medium-sized businesses to sell as much as \$560,000 per minute; this year it topped out at more than [\\$1 million per minute](#) on Black Friday, providing insight as to why its quarterly revenues are growing at 72% year over year.

Shopify was partly responsible for more than \$1 billion in gross merchandise volume (GMV) over the Black Friday weekend. It's not quite as mesmerizing as the US\$25 billion generated November 11 in this year's "Singles Day" event put on by **Alibaba Group Holding Ltd.** ([NYSE:BABA](#)), China's e-commerce leader, but it's still impressive nonetheless.

"This \$1 billion milestone emphatically stakes a flag in the ground for entrepreneurs and small business owners all around the world," said Lütke when discussing Black Friday. "Their global impact was felt through each and every sale to a customer who chose to buy from our unique merchants, and we're

fiercely proud of helping them be successful during a period historically dominated by big box retailers.”

Heading into 2018, Shopify will come close to generating an operating profit — a key target in its move from interesting story to a moneymaking enterprise.

In Q3 2017, Shopify made a small adjusted operating profit of US\$0.05 per share, considerably better than a year earlier when it lost US\$2 per share. The company projects it will make as much as US\$4 million in the fourth quarter, leading to an adjusted operating loss for fiscal 2017 of as little as US\$1.5 million — a significant improvement over fiscal 2016 when it lost US\$6.7 million.

Where to next?

As Lütke stated in Shopify’s Q3 2017 conference call, the company’s goal is to help small businesses compete successfully with the big boys.

“We want to give small businesses a chance to survive and thrive,” stated Lutke. “The world needs millions of small businesses to ensure a sustainable future for economies and jobs instead of a handful of mega companies.”

They say if you focus on the little things, the big things will take care of themselves. Whether it be Lütke becoming a billionaire, or Shopify reaching \$100 billion in market cap, it gets there by helping as many small businesses as possible become successful.

Whether this means integrating Instagram into its platform, or using Shopify Capital to finance small businesses, if it’s good for the customer, ultimately, it will be good for Lütke and the rest of his shareholders.

Lütke wants Shopify to be a company that’s around 100 years from now. There’s no reason to think he won’t be successful in getting it there.

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