



Marijuana Investors: Will Shopify Inc. Be the Go-To Platform for Online Cannabis Sales?

Description

The Ontario government recently reached an agreement with **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) to use its platform for digital cannabis sales. The OCRC, under the LCBO, has exclusive rights to distribute legal marijuana across the province of Ontario, whether it's through an in-store or online channel. Come legalization, which is currently set for the summer of 2018, online cannabis distribution will be available, and Shopify's involvement has many investors feeling euphoric, sending Shopify shares up over 7% in a single trading session. Is the LCBO just another Plus merchant for Shopify? Or is this the first of many Shopify-powered online marijuana shops to come?

We can only speculate for now, but it's not too far-fetched to believe that Shopify will become the platform of choice as a means for legal pot distribution. Each Canadian province has its own rules when it comes to distribution, so more flexible provinces may allow licensed producers (LPs) to use an online platform that meets their guidelines, which aim to keep cannabis out of the hands of minors.

With Shopify's first high-profile cannabis client inked, the company is likely working on many "cannabis exclusive" tools and features, which may become an industry-standard means of distributing legal cannabis. That means many smaller independent dispensaries that are free to sell weed online will need to choose a platform that has the blessing from its provincial regulators. Shopify could certainly become this go-to platform, and if that's the case, Shopify may be in for a surge in Plus members once legalization day comes and goes.

For now, Shopify will capture a fair chunk of the Ontario cannabis market from its hottest new customer, but whether or not the platform emerges into an industry standard, digital sales channel will remain the million-dollar question.

As fellow Fool contributor Karen Thomas [pointed out](#), Shopify looks cheap versus the stocks of cannabis producers like **Canopy Growth Corp.** ([TSX:WEED](#)); however, you're still paying a massive premium on a stock with speculative prospects. Shopify stock appears absurdly overvalued, trading at over 20 times sales, and given a lack of transparency over [churn rates](#), I suggest caution if you're thinking about chasing Shopify after its recent run-up, especially since global markets could fall deeper

into correction territory.

For now, I think Shopify is a speculative trade for investors looking to put their mad money to work. Should further cannabis distribution deals be inked with other provinces, the stock could really take off, but if not, all eyes will be on the company's EPS growth, which is expected to triple in 2018. If anything short of perfection is clocked in, the stock could really begin to plunge. And who knows? Andrew Left may be back to rub salt in Shopify's wounds while it's down.

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