



## Bullish on Artificial Intelligence? Consider Shopify Inc.

### Description

**Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) is a Canadian technology company with a track record of outperforming, even the most bullish earnings expectations, riding the e-commerce wave forward to record highs amid investor enthusiasm and a prevailing belief that Shopify may indeed be the next **Amazon.com, Inc.** ([NASDAQ:AMZN](#)).

At more than 19 times sales, Shopify's current valuation multiple certainly makes Amazon look cheap, although many investors will remember the sky-high valuation given to Amazon for decades before the company finally began turning a profit in recent years. With Shopify approaching profitability, the comparison between the two companies may not be entirely accurate, although one similarity between the two firms I would re-emphasize is the ability of both companies to spot trends as they are in their early stages and monetize these trends accordingly.

Artificial intelligence (AI) is one trend that has already impacted the way in which the e-commerce sector operates, and it has accordingly become a key strategic focus for Shopify. Two years ago, [Shopify acquired Kit CRM](#) in a bid to broaden the company's competency in AI, tacking on the ability to identify trends within large data sets, provide enhanced e-commerce shopping experiences to patrons, and automate a number of tasks, which would otherwise be costly to manually maintain.

The idea of using machine learning or AI to improve upon existing marketing efforts is not new; in fact, Amazon was one of the first companies to produce an algorithm to find what may suit a consumer best based on previous purchases and search history. What is important for investors to consider about this acquisition over the long term, however, is how well Shopify is able to integrate various AI technologies into its business model to maximize profitability — something other firms have done a very good job of in recent years.

In addition to continuing to invest in AI, Shopify has also been [aggressive in pursuing deals](#) in "budding" industries, such as Canada's soon-to-be-legalized cannabis sector. The Ontario government has sought out Shopify's platform, seeking to use the Canadian technology company's back-end platform for the province's online and retail components of this sector. With cannabis set to take off, and outsized expectations for this sector likely to take hold, Shopify seemingly has found yet another

wave to ride higher.

### Bottom line

In terms of execution and strategic direction, it is very difficult to argue with the trajectory Shopify has provided investors. While Shopify remains absurdly expensive, the company's absurd upside has apparently taken hold of the entirety of the market's attention span. Let's just hope the party continues.

Stay Foolish, my friends.

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