



Will Online Pot Sales Send Shopify Inc. (TSX:SHOP) Stock Soaring?

Description

It was recently announced that **Aurora Cannabis Inc.** ([TSX:ACB](#)) had reached a deal with **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) to use the e-commerce provider's platform to reach customers online, and this will also help the cannabis company set up a user-friendly way to buy pot through its site.

Earlier this year, the Ontario government also decided to use Shopify to set up its online cannabis store, and in a province that has some of the [tightest restrictions on pot](#), online sales are going to be crucial in that part of the country.

For Shopify, this could help accelerate its sales growth. In its [last quarter](#), the company's sales were still showing great growth, but at a decreasing rate, and that is a concern for investors.

By being able to take advantage of the fast-growing cannabis industry, Shopify may be able to achieve a higher rate of growth, as pot sales aren't legal until October, and so we'll see even more traffic for Aurora Cannabis products then; for now, the company has had to settle for revenue generated from medical marijuana.

In its most recent quarter, Aurora's sales of \$16 million were more than triple the \$5 million that the company achieved just a year ago. And with the company continuing to acquire pot stocks, most notably **MedReleaf Corp.**, the potential for Aurora will only grow in size.

That means more sales going through Shopify's platform and more transaction fees that will be collected by the e-commerce site.

Why online sales could be big for pot

One of the criticisms so far of the young pot market is that while legislation is being set up for retailers and government stores to sell and distribute pot, there simply may not be enough to reach demand.

Because each province has taken a different approach to how it plans to sell (private, government only, or a mix) and how many stores it will allow, there's a potential that many consumers won't have a store nearby and won't be able to easily buy cannabis.

That makes online sales crucial for companies like Aurora and others to meet customers regardless of their geographical area and whether a physical store is nearby. Like with everything else, online sales will also help keep costs low and margins high, which is valuable for marijuana companies where profits have been hard to come by and nearly non-existent.

Bottom line

This deal will help Aurora grow its sales, which, in turn, will help Shopify add to its top line. While both stocks are a bit pricey today, both also have the potential to continue to rise in price, especially on stronger sales growth.

With Shopify locking up yet another deal in the industry, investors will want to keep an eye out if there are more pot stocks that sign up with the company, as that could give Shopify a big advantage by being the preferred platform for cannabis companies.

Shopify's stock has been very volatile over the past year, and this may give it the momentum it needs to finally hit \$250.

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Date

2025/07/06

Date Created

2018/07/17

Author

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