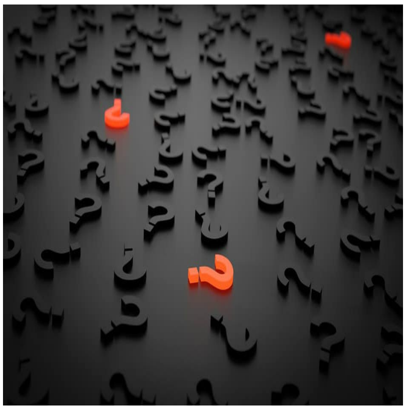

Aggressive Growth Investors: Should You Buy Shopify Inc. (TSX:SHOP) as a Play on Marijuana Distribution?

Description

What a vomit-inducing rollercoaster ride it's been for **Shopify** (TSX:SHOP)(NYSE:SHOP). Based on the YTD chart, you'd think you were looking at a pot stock. So, what's caused the volatility surge? Fears over concerns brought to light by both Andrew Left (of Citron Research) and Absurd Research have many investors unsure of what to do with their Shopify shares of late.

The stock's had an incredible run, and it's still up around 44% YTD despite falling into bear market territory (+20% drop) on two separate occasions and correction territory (+10% drop) on three separate occasions. While it may seem that Shopify is hitting the brakes when it comes to growth, I'd argue that there's still ample upside given the promising potential for the Canadian SMB e-commerce firm to become a preferred choice in Canada's hot nascent marijuana scene.

The potential marijuana opportunity

Shopify is a Canadian growth story, and naturally, many up-and-coming marijuana firms will likely need an online store.

While the initial phases of nationwide pot legalization will be chock full of extensive regulations, I think we'll eventually see an explosion of web-based pot firms that'll be pushing their differentiated pot products (smokables, edibles, drinkables, and all the sort) to Canadians.

Thus, Shopify is a play on both the rise of the "stay-at-home economy" and the nascent marijuana industry — who knows? Shopify could be working on add-on features catered explicitly for small to medium-sized marijuana firms, and if that's the case, Shopify's gains could be amplified over the next three years as the marijuana green rush continues.

The risks

As you may know, I'm one of the few Shopify bears here at the Motley Fool Canada. While I wouldn't touch shares with a barge pole, I do believe that there's a compelling opportunity to reap huge rewards if your risk tolerance is high enough.

My distaste for Shopify stock wasn't influenced by the reports issued by Citron or Absurd Research. I mentioned my concerns over a lack of transparency with regards to churn rates and subscriber quality well before Citron publicly released his bearish thoughts on Shopify. As it turned out, the potential for churn was also a significant red flag for Citron and Absurd Research as well, although I'm sure there are other potentially unwarranted allegations that these firms are fired up about.

The potential for massive churn could leave Shopify stock severely damaged come the next economic downturn. Shopify needs to quantify its merchant base more effectively, and given recent concerns over a chunk of merchants scamming others with fake web stores, I think a better representation of the company's merchant-base is in order so Shopify investors can have a better night's sleep!

Foolish bottom line

Shopify's churn remains an issue that's clouding the opportunity at hand. The potential to become a preferred e-commerce platform among up-and-coming pot firms is compelling, however. If you've got a high risk tolerance and you're keen on placing a bet, only then would I recommend getting involved at these levels. For more prudent investors, I'd suggest looking elsewhere.

Stay hungry. Stay Foolish.

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