



These 3 Companies Could Buy Shopify Inc. (TSX:SHOP)

Description

Sometimes, despite not wanting the outcome at all, a company will be forced to sell out to another at an inflated price.

What's best for shareholders ultimately wins out. While some owners have a long-term perspective, many others don't. They'll gladly sell their shares to some acquirer at a 40% premium, even if it undervalues the company over the next decade.

Some investors even thrive on these kinds of situations, taking positions in stocks likely to be taken out. They wait around just long enough to pocket the profit and move on.

I believe **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) could be one of the big takeover stories of 2019. Naysayers might not believe me, specifically pointing to the company's dual-class share structure. Shopify insiders control approximately 60% of the shares' voting rights. A buyer cannot get a deal without winning over top execs.

But remember, these people have emotions just like you or I would. And one of these emotions is greed. It's hard to say no when a multi-million-dollar payday is dangled in your face. Heck, CEO Tobias Lütke owns more than eight million class B shares. A 40% takeover premium would be worth an extra \$600 million.

It's hard to say no to an extra \$600 million.

These are the three companies I believe could make a play for Shopify.

Walmart

I have to give **Walmart** ([NYSE:WMT](#)) credit. Unlike many of its competitors, the beast from Arkansas is taking e-commerce seriously. It has invested billions in its own website. Customers love the ability to order online and pick-up, and a local store, too. And the company is quietly acquiring other web-based retailers, adding their expertise to its own.

Walmart's management team is betting there will be a future where physical stores will only be a secondary feature. Think of them like showrooms. The real buying then happens online.

A natural extension of selling stuff is helping other people sell stuff, which is what makes a Shopify acquisition so interesting. Not only would Walmart get instant diversification away from retail, but it would also acquire an army of employees that could help it out with its own online business. Sounds like a win-win to me.

Amazon

Amazon.com ([NASDAQ:AMZN](#)) is another perfect suitor for a couple of powerful reasons.

First of all, the two companies already work together in various partnerships. Shopify recently made it easy for its customers to sell their wares on Amazon. It just takes a couple clicks to take an existing listing and put it on Amazon.com. Familiarity is a good thing.

Amazon CEO Jeff Bezos isn't afraid to make a big splash, either. The company made headlines in 2017 when it agreed to spend US\$13.7 billion to acquire Whole Foods. A Shopify acquisition would be much bigger than that, but it's something Amazon could easily swallow.

Google

An acquisition by Google might make the most sense for Shopify's current management team. It's easy to envision a scenario where the deal is financed by **Alphabet** ([NASDAQ:GOOG](#))([NASDAQ:GOOGL](#)) shares and then new prize would then be left alone as Google's management moves onto the next thing. Google's top execs know the best strategy is to leave great teams alone and let them do their magic.

A partnership with Google would also be massive for Shopify's customers, who already are big users of Google's Adwords service. Acquiring Shopify means these customers would pay Google twice — once for the selling software and again for the ads.

The bottom line

Several of tech's largest names could also be mentioned as potential Shopify suitors. It makes sense for nearly all of them to add the Ottawa-based giant. Shopify offers explosive growth, a fantastic business model, and scores of intelligent employees.

An acquisition would perhaps be a little bittersweet, however. It would cut short one of Canada's best growth stories. It's easy to see why investors would be conflicted, but I see it happening. Shopify is too great of a prize to let slip through your fingers. Somebody will pay dearly to acquire it.

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