

3 Reasons Shopify Inc (TSX:SHOP) Is Canada's #1 Tech Stock

Description

Shopify Inc ([TSX:SHOP](#))([NYSE:SHOP](#)) has had a fantastic run in 2018, all things considered. Although its shares have fallen about 13% in the past week, they're still up over 30% year-to-date. Shopify's gains this year are particularly impressive compared to the **S&P/TSX Composite Index**, which is down 10%.

But with large and growing (non-adjusted) losses, why is Shopify able to outclass all other Canadian tech stocks—when some of its competitors are consistently pumping out profits?

There are three basic reasons. I'll start with the most obvious: growth.

#1: Frothy growth

Shopify Inc has been growing by leaps and bounds in the past year. It grew at over 60% year-over-year in three of the past four quarters. In Q3, [growth slowed](#) to 58%, but that's still a heady pace. Although Shopify generally runs net losses, this is normal for young publicly traded companies (Shopify had its IPO just three years ago).

Also, on the topic of losses, in Q3, Shopify did post a GAAP loss of about \$0.22 per share. However, by the company's own non-GAAP metrics, it claimed to have adjusted net income of \$0.04 per share. These non-GAAP metrics aren't always reliable, but it's interesting to note that management expects an operating profit of \$8 to \$10 million for the full year of 2018. So the upcoming annual report is one to look out for.

#2: Growing market share

Another thing Shopify has going for it is market share. Although WooCommerce is currently the #1 shopping cart with a 29% share of the market, Shopify has jumped from 9% to 13% in the past few years. This shows that the company is growing not just revenue but also a stronger position in its market, which could eventually lead to the coveted 'economic moat,' where the company is the only game in town for its niche.

#3: A solid product

Last but not least, Shopify offers a high-quality product that ecommerce vendors can depend on.

In the week when cannabis was legalized nation-wide, Shopify stores handled a blistering 100 transactions per minute [without a single outage](#). This fact was well publicized, and companies looking for an ecommerce platform almost certainly noticed. And on Black Friday weekend, the results were even better, as Shopify processed 5200 sales per minute—again without a single outage!

The fact that this is a load of revenue for the company isn't even the main point here. Stats like this show that Shopify is a big, grown-up platform that vendors can count on to process their sales. And as feats like this gain publicity, the number of big stores—the kind that can produce thousands of dollars in fees per month—looking to migrate to Shopify will increase. In turn, this will generate continued growth in both revenue and market share that will propel Shopify to new heights.

Earnings are still a minor concern for this stock, but do remember that net losses are normal for early stage tech companies. On the whole, I think Shopify is Canada's best tech stock.

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