3 More Reasons to Consider Shopify (TSX:SHOP)

Description

Shopify Inc. (TSX:SHOP)(NYSE:SHOP) has been one of the top-performing, if not the most popular tech stock on the market for much of the past year due to its continued and incredible growth. In many ways, the software company that develops completely configurable and modular digital storefronts in a fraction of the time that traditional methods took has become a hallmark of the modern digital economy, with the company name even becoming a verb in tech-jargon.

Let's look at a few reasons why Shopify is still a great tech holding for your portfolio.

Shopify's growth is set to continue for the foreseeable future

One of the many reasons for Shopify's success will ultimately come down to timing. As the old homage goes, for a successful product, you need to deliver "the right product, at the right place, at the right time." Shopify's emergence and supremacy within the sector have conveniently coincided with an overall market shift towards e-commerce and mobile shopping over traditional brick-and-mortar stores, and by extension, the proliferation of smartphones among consumers.

Shopify not only caught that market shift just in time, but the nature of its configurable and scalable solution has allowed customers to add or remove modules as they see fit and stay current with those changes.

In terms of results, Shopify's most recent quarterly update saw revenues top US$270 million, surpassing the same quarter last year by 58%. An important facet of Shopify's business model is recurring subscription revenue, which in the most recent quarter saw a gain of 46% over the same period last year, coming in at US$120 million.

In short, with over 600,000 businesses currently running the software and a whopping $82 billion in sales already traversing the platform, there is little reason to believe that Shopify will not continue to grow.

The market is providing an opportunity

With hopes of a Santa rally to rescue 2018 nearly all but gone, many stocks are trading at discounted levels. In the case of Shopify, the company is still in the black for 2018, showing an impressive 26% gain year-to-date. That said, that gain is still a fraction of where the company was during the highs of this past summer.

More important, however, is where the stock is slated to go in the future. Shopify announced the sale of $400 million worth of shares this week, with some of the proceeds of that new issuance being targeted for growth. While the impressive 58% year-over-year growth I mentioned earlier is nothing short of impressive, it still pales in comparison to the growth that Shopify witnessed in previous years, so the injection from the stock issuance could be used on a variety of initiatives ranging from advertising and pricing adjustments to opening new physical store locations.

We could see more physical stores — and more customers

Earlier this year Shopify shocked investors by announcing its first physical store, located in Los Angeles. The company noted at the time of opening that the store was part educational, part working space, and part support hub, collectively aimed at business owners of the platform. Back in 2017, Shopify held “Shop Class” around Canada, allowing customers to get valuable face-to-face interaction with the company and gain more support to build or upgrade their storefront while there.

This latest endeavour by the company in Los Angeles is seen as an extension of that previous tour, and given the success of both the tour and initial traffic to the store, we could see additional locations opening next year, potentially also drawing in new customers.

In my opinion, Shopify remains an excellent long-term option for investors looking to diversify their portfolios with a technology-focused stock that can offer growth.

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