



3 Reasons Why Shopify (TSX:SHOP) Should Be in Your Portfolio

Description

A promise you might see a lot on the Motley Fool and other financial advice websites is, “This is the next **Amazon**.”

Well, for **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), that might just be true.

Honestly, the stock is a powerhouse, even in this volatile market. In fact, let’s just take a quick look at how much you could have made over the past few years if you had purchased this stock already:

- May 22, 2015, at its initial public offering (IPO): 455%
- January 2017: 213%
- January 2018: 41%
- Even if you bought a couple week ago on Dec. 24, 2018: 20%

These numbers are crazy! Have you seen the market lately? How are these numbers even happening? Well, I’m here to tell you how and why they’ll likely get much higher in the next year.

E-demand

First off, it’s clear that merchants just want what Shopify is selling. Sure, they could use **Facebook** or Amazon to sell their products, but why do that when Shopify will for you? Not only does the e-commerce platform have its own online store, it uses social media to sell its subscribers’ products as well.

Right now, subscriptions are still number one for how Shopify is making its money, but that could quickly change. As the company continues to expand, Shopify’s merchant solutions segment will likely take the lead. The opportunities are huge, as Shopify is able to sell, process payments, and even provide its own shipping through the platform. Even though the company started with small- and medium-sized businesses, Shopify is quickly gaining larger clients around the world that want direct-to-consumer operations. As those numbers grow, so will the cash coming in from merchant solutions.

Pot won't be a drag

While marijuana stocks may not be getting high right now, Shopify is still betting the marijuana industry's sales will be sooner rather than later. The company will be processing sales of marijuana from B.C., Newfoundland and Labrador, Ontario, and P.E.I., and that's only the beginning.

There are two factors here to consider now that Shopify is selling pot, which fellow Fool writer Demetris Afxentiou [wrote about after legalization](#):

1. Other countries that have already legalized or are considering legalizing marijuana will notice how well Shopify handles the sales and will go to Shopify first.
2. The company has proven it can handle sales where privacy and "strict regulatory requirements" must be handled delicately.

No growing pains here

As you can see from the beginning of this article, Shopify's growth over the last few years has been nothing short of astounding. The company has a three-year compound annual growth rate (CAGR) of about 86%, and that should grow by a further 35% over the next five years.

Even in this poor market, Shopify is in strong financial health and still manages to have over \$1.5 billion in cash while still expanding and making acquisitions almost constantly. Most recently, the company acquired Swedish e-commerce company Tictail. This is possible after Shopify sold 2.6 million new shares last month, raising about \$400 million in the process.

When Shopify releases its Q4 results at the end of January, expect more great news. It's likely the company will announce it has \$2 billion in cash after the sale of shares, plans for more acquisitions, and another increase in revenue to somewhere around \$320 million.

Bottom line

If you're still not convinced to buy Shopify, I think it isn't the company to blame, but 2018. If it weren't for terrible market performance, Shopify could be trading around \$218 rather than where it is now at about \$193 as I'm writing.

But 2019 will hopefully see the market get back to normal, and with that the stock is predicted to jump up again to [as high as \\$325 a share](#), as long as it continues to grow the way it has. That's why pretty much every analyst out there is recommending the stock as a "buy" right now.

However, I would hold on to this stock for a while once you have it, because just like Amazon, this company has the potentially to see its stock soar.

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