



Why Apple Inc. Will Acquire Shopify Inc (TSX:SHOP)(USA)

Description

Apple Inc. ([NASDAQ:AAPL](#)) has entered a new era: services.

On March 25, the tech giant released a broad array of new services intended to diversify its revenue stream away from hardware products like the iPhone. Its new services include a premium news subscription, video streaming platform, gaming ecosystem, and most important (and surprisingly), a credit card.

That last item, dubbed the Apple Card, should trigger alarm bells in the minds of **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) shareholders. Why? With the release of the Apple Card, Apple has revealed that it's getting serious about embedding itself into every aspect of a consumer's purchase journey.

With the Apple Card, Apple will now control its users' hardware, software, and payment gateways. The only thing that's missing is to insert itself into consumer purchases outside of the Apple ecosystem. Acquiring Shopify would fill that massive gap in one fell swoop.

This makes too much sense

So far, news outlets and stock market pundits have myopically focused on Apple's video streaming service. As it will compete directly with behemoths **Netflix, Inc.** and **Walt Disney Co**, investors are hoping the company can capitalize on consumers "cutting the cord" and moving to digital entertainment platforms.

For some reason, the Apple Card is getting a lot less attention, though it competes with similarly sized giants **Visa Inc** and **Mastercard Inc**.

Apple's dominance in the payments industry isn't well understood, making it widely under-appreciated.

For example, every iPhone user in the world has an Apple ID. To use the App Store, consumers must add payment information like a credit card or bank account. That means every purchase through the

App Store must go through Apple first.

While most investors don't know it, Apple actually controls the largest trove of credit card information in the world. With the addition of the Apple Card, it's stranglehold on this giant market becomes airtight.

The next step on Apple's quest to dominate payments should focus on retail. Combining with Shopify would be Apple's best chance at seizing yet another multi-billion dollar opportunity.

What would Apple get?

Shopify is one of the fastest growing e-commerce platforms on the planet. Already, it's [dominating](#) the retail market for small businesses.

Shopify estimates that its potential market size currently exceeds \$60 billion, big enough to warrant the attention of Apple. Already it generates average annual sales per user of \$1,400. Last quarter, the company reached \$270 million in sales.

Most important, Shopify generates nearly all of its revenues by providing digital services, a segment that Apple is desperately trying to grow. By integrating the two companies, there could be massive synergies.

For example, every Shopify merchant must pay 1% to 3% in payment processing fees for every purchase. Apple could waive these fees for customers shopping with the Apple Card, allowing merchants to offer exclusive discounts to customers within the Apple ecosystem.

Data integrations could also be incredibly valuable. Through owning the customer's phones and computers, as well as their internet browser (Safari), Apple has unique insights into their users' buying habits and preferences. Providing this data to Shopify merchants would be invaluable.

This could be huge

Overnight, Shopify would become the clear go-to solution for selling goods online, with seamless integration into Apple's ecosystem.

Today, Apple has a market cap of \$900 billion. Compared to Shopify's relatively diminutive size of \$22 billion, Apple could make this acquisition without thinking twice. While few investors are talking about a potential tie-up, a deal just makes too much sense.

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