



2 Ways Shopify (TSX:SHOP) Is Accelerating its Growth

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) has been a phenomenal growth driver since its initial public offering. The stock has gone up 11 times since it was listed in 2015 and has more than doubled since the start of this year alone. Even as I write this, the stock is up yet another 4% at the opening bell.

Long-term investors who'd bought in early have had a spectacular run, but the company isn't slowing down anytime soon. Instead of consolidating and focusing on profits, the tech giant wants to keep pushing for expansion and has its sights set on new avenues.

Over the past few years, the company has unveiled a number of new business segments that management hopes will diversify its income streams and bolster the core platform. Here's a closer look at these new offerings and their potential impact on Shopify's bottom line and stock.

Shopify Capital

Launched in mid-2016, Shopify Capital is the company's business-financing arm, which offers loans to entrepreneurs on the platform who are trying to expand their e-commerce business. Considering the fact that Shopify focuses on small- and medium-sized merchants almost exclusively, the company is well positioned in an underserved market.

Offering finance seems like a natural fit here. Shopify already has thousands of merchants on the platform who've been part of the ecosystem for years. The company probably has a wealth of data on sales, refunds, seasonality, and popularity of each of these merchants.

Now it can leverage that data to offer financing that helps the most deserving and least-risky entrepreneurs grow, ultimately leading to more profits and gross sales for Shopify. It's the ultimate "win-win" situation.

In my opinion, financing is a natural fit and isn't difficult to pull off considering the infrastructure that is already in place. Since its inception, the company has already issued \$535 million in merchant cash advances through the platform. \$87.8 million was issued in the most recent quarter, up 45% from the same time last year.

It may be fair to say Shopify Capital is already a success.

Shopify Studios

Earlier this year, management announced that the Shopify team would “develop, produce, and finance an array of projects spotlighting entrepreneurship.” In other words, they're [getting into the content game](#) alongside **Netflix** and **Amazon**.

I'm not thrilled about this move. Content is still king in the digital age, but the competition is intense, and we're heading into a phase where entertainment and video content is in oversupply. Also, the sort of content Shopify has described in its press release sounds expensive to produce and market to a wider audience.

Although the video service could help the company attract more potential entrepreneurs to the network by inspiring them with real success stories, it could also be a drain on the company's already stretched finances. In my opinion, the risks outweigh the potential rewards from this move.

Bottom line

Shopify's focus on its core audience — small- and medium-sized merchants — is admirable. Recent announcements of new business streams may sound chaotic and unrelated, but they're all united by a common theme: helping the little guy sell stuff online.

With this in mind, I believe Shopify's merchant cash advances will help drive the company forward on its mission; however, the new video service is a relatively riskier move. For long-term investors, monitoring cash flows from these new ventures over the next few years is absolutely critical.

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