



3 Reasons Why Shopify (TSX:SHOP) Is a Great 1st Stock to Invest in

Description

There's no question that for anyone who has yet to enter the world of investing, the stock market can seem intimidating and likely the last place you would want to invest your income. And by no means do you need to dive right in by blindly buying shares of a company that your newsfeed keeps mentioning. An [exchange-traded fund \(ETF\)](#) can be an excellent choice to begin your investing career; it would give you access to a collection of companies, reducing the stress of having your entire investment tied to one company's fortune. When you're ready to take that plunge of investing, Shopify is a great choice, and here are three reasons why.

Exceptional growth and innovation

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) merchants set a new record during the 2019 Black Friday/Cyber Monday holiday, selling \$2.9 billion worth of products, up over 60% from the previous year. The surge in stock price can largely be attributed to the torrent growth in sales volume and product innovation.

Comparing full years from 2015 to 2018 (2019 Q4 earnings are not yet released), annual gross merchandise volume (sales facilitated by its platform) have grown at an average rate of 75% per year, with 2019 on pace to increase year over year by over 50%. One reason for the consistent sales growth comes from Shopify's investment in product innovation. Originally launched as an online storefront to sell snowboarding gear, the Shopify ecosystem now consists of an arsenal of tools to help merchants, including order shipment, customer service, online marketing, account and financing, and a [newly announced \\$1 billion fulfillment network](#).

“Invest in what you know”

It's no stretch to assume that a high percentage of Canadians are familiar with the process of purchasing their favourite products online. That may not mean they are buying directly from a Shopify platform, but they are being exposed to an industry that Shopify is gaining market share in rapidly. The all-in-one e-commerce platform lets anyone start, run, and grow their business. At its core, Shopify generates

revenue from subscription solutions that charge licensing fees for the use of the platform, and the merchant solutions mainly charge transaction and shipping fees.

Much to Peter Lynch's delight, Shopify provides an opportunity to millions of Canadians to "invest in what they know." Do not underestimate the amount of stress that can come from making an investment in a company that you do not truly understand how it generates revenue. That's one sure-fire way to panic the moment the stock price begins to dip. Shopify may be an expensive and volatile stock on the market right now, but there is no denying the exceptional growth and simplicity in its business model.

Stellar management

When Shopify founder and CEO Tobi Lütke set out to create Shopify in 2004, a \$50 billion (market cap) company was likely not what he had in mind. Contrary to many tech start-ups, Lütke not only chose to set up shop outside Silicon Valley, but he chose a different country all together. Planting roots north of the border in Canada's capital was not the only move Lütke made that raised eyebrows.

The Shopify CEO recently took to **Twitter** to call out the tech industry's "overwork culture" and the damaging effects it can have"

I realize everyone's twitter feed looks different. But I'll go ahead and subtweet two conversations that I see going by right now: a) How the heck did Shopify get so big this decade and b) You have to work 80 hours a week to be successful.

Thread/

— Tobi Lutke ???? (@tobi) December 26, 2019

Lütke voiced his opinion on the positive effect that having a proper work/life balance can lead to, while also reiterating fellow cofounder Daniel Weinand's words: "let's not build a company that we wouldn't want to work for in 10 years' time."

While stellar management may not show up on the balance sheet, a big reason why Shopify stock is considered expensive today is because of the expected continuation in the torrid growth rate, which is a testament to the leadership that Lütke and management embody.

Foolish bottom line

Set to begin hiring 1,000 employees in Vancouver this year, Tobi Lütke continues to invest heavily in the country he has long since called home. Management will be reporting the Q4 2019 earnings on February 12, and I'd strongly suggest adding Shopify to your watch list, waiting for any dip in the price for your entry position.

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