



Shopify (TSX:SHOP) Now Holds the “Bombardier Put”

Description

Most would agree that Canadian technology giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is Canada's centrepiece and national pride when it comes to the country's tech sector. This company has grown at an exponential rate. It has hired thousands of Canadians every year to meet growth objectives that are out of this world (but continue to be hit each and every quarter). Herein lies my thesis: Shopify now has sufficient political power via job creation to influence multiple levels of government for direct or indirect support in much the same way as troubled business jet manufacturer **Bombardier** has done for decades.

Canada's tech sector

Like the aerospace sector, Canada's technology ecosystem has had difficulty creating companies that could be looked to as global players, or champions, that the government can parade around as examples of innovation for various purposes. Canada's economy relies on immigration for growth. Therefore, having companies like Shopify is helpful and important to politicians in a couple of ways. First, they can provide a story as to why immigrants should want to come to Canada. These companies can also provide job opportunities for newcomers.

Silicon Valley

The threat that Shopify could move to a place like Silicon Valley is real. Many Canadian technology companies have already done so. Canadian politicians will do everything in their power at this point to protect the tens of thousands of jobs Shopify provides. I believe this sentiment is largely baked into the company's current valuation, which remains at nosebleed levels. Also, I believe that it remains in the self-interest of the Canadian government to support Shopify's stock price to encourage hiring. Therefore, I think that Shopify is a unique animal when it comes to valuation multiples. Shopify is more of a unicorn than any other animal in the eyes of the government.

“Bombardier put”

Should Shopify begin to see serious declines in the company’s stock price, I would not be surprised to see the government offer a major helping hand. An announcement may come down from the Canadian Pension Plan (CPP) or one of Ontario’s pension plans, such as the teacher’s union. They will step in and buy a massive chunk of equity. Alternatively, they may provide interest-free financing to boost Shopify’s bottom line. The “Bombardier put” is real. If I had to pick a company that likely holds this put, it would have to be Shopify right now.

I have to be honest: I expected more in the way of chatter about moving head offices by now. But it is possible that an arrangement has already been worked out behind closed doors. If we see a change in Canada’s tax code, specifically benefiting tech giants come down the road, I would certainly not be surprised.

Bottom line

For investors in Shopify, I would rest assured that the downside for this investment is limited, allowing for more risk-taking. Perhaps valuation doesn’t matter, after all.

Stay Foolish, my friends.

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