



Forget About Finding the Next Shopify (TSX:SHOP): Do This Instead

Description

It seems like just about every investor is obsessed with finding the next **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)).

It doesn't take a genius to figure out why so many investors are desperately looking for the next Shopify. They take one look at the technology company's long-term returns and are instantly enthralled.

After all, a \$1,000 investment in Shopify on its initial public offering would be [worth more than \\$34,000 today](#). That's the kind of performance that can make or break a portfolio.

What would separate the next Shopify from its peers, anyway? Unfortunately, there's no single formula that will allow investors to pick 100-baggers. We must use educated guesses to try and find the next huge growth stock. This name will have a huge addressable market, with potential to dominate it.

It'll also have potential to expand into related businesses and acquire competitors, too. And it's likely to have a fanatical CEO in charge, with that person likely owning a whole bunch of shares.

But there's more. The next Shopify needs to be a business with loads of growth potential in a sector like technology, which offers almost limitless ability to scale. It should also be relatively small today, as most large-cap stocks have already almost reached their potential. Oh, and this stock must also be publicly traded, since it's pretty hard for regular investors to put their cash to work in private companies.

Whew. Needless to say, that's a long list.

Rather than try and find the next Shopify, I have a bold suggestion. Investors should just buy Shopify shares instead. Here's why.

Still massive growth potential

Shopify recently made headlines for becoming the most valuable stock on the **Toronto Stock Exchange**, a status that hasn't been kind to other [stocks that have reached the lofty perch](#). In fact,

that's usually a good time to sell.

But it's easy to see why Shopify could be different. The company's main product is software that helps online retailers hit their goals and sell more products. We're still in the early innings of a massive trend that will see more retailers create an online presence — never mind product manufacturers using the internet to cut out the middleman and sell directly to consumers.

Remember, only some 10% of consumer purchases are made online here in Canada. There's still massive growth potential for e-commerce here, never mind the rest of the world. If you're looking to start up an online retailer or expand your physical storefront online, Shopify's software is pretty much your only choice. It offers hundreds of different apps to make life easier.

Shopify has barely scratched the surface of its potential in other areas. Its capital division — which uses real-time sales data to help it make lending decisions — could easily be worth billions. The payment processing subsidiary also has huge potential, both online and with physical retailers. Its software can also be used to help physical retailers keep better track of inventory and sales trends.

But there's more. The company is rapidly becoming an expert in shipping and logistics, expertise it can pass onto retailers. The massive amounts of data it generates makes Shopify an attractive partner for other huge online retail operations. And Shopify is obsessed with treating its customers right — a trait that will always be in demand.

The bottom line on the next Shopify

Rather than try to find the next Shopify, the solution is simple: investors should just buy Shopify shares.

Shopify still has loads of growth potential. Yes, its valuation is sky-high, but Shopify's valuation has been excessive ever since its IPO. It obviously doesn't matter.

There's no reason to reinvent the wheel here. Shopify has built a very impressive organization. The next Shopify — if you can even find it — won't be nearly as good.

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