



Alert: Shopify Could Add Another \$100 Billion to its Value!

## Description

As I write this, **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)) is trading at \$1,295 — which means the company is worth \$157.8 billion. Meanwhile, its closest competitor in e-commerce (you know who) is worth north of *US\$1.6 trillion*.

Put simply, [Shopify has plenty of room for growth](#) ahead of it. That's what makes it such a fascinating growth stock. However, to reach that trillion-dollar market cap target, the company will need to modify its business model and vertically integrate. This year, the company has taken some aggressive steps toward that vertical integration that could add billions in value for shareholders over time.

Here's a closer look.

## Shopify's Handshake

Last month, Shopify launched a wholesale marketplace for its merchants called Handshake. The platform connects retailers with suppliers from around the world to help them curate products and scale their operations.

By launching this platform, Shopify has effectively expanded its total-addressable market. The direct-to-consumer online shopping market is already a massive market, but adding wholesale business-to-business commerce kicks it up a notch. In 2020, the global wholesale market was worth US\$30 trillion, with only US\$4 trillion taking place online.

Handshake alone could add billions to Shopify's market capitalization if successful.

## Shopify fulfillment

The rollout of fulfillment centres is another clever way the Shopify team is going vertical. Jeff Bezos' e-commerce behemoths is one of the few online retailers with warehouses and a distribution network for merchants. By fulfilling orders internally, merchants get better cash flow and easier processing while customers get a better experience and quicker deliveries.

Shopify announced a \$1 billion investment to create a smart fulfillment network in the U.S. last year. Since then, CEO Tobias Lutke has said his ambitions are global and that the Shopify network could spread throughout the world.

To enhance the offering, Shopify also acquired fulfillment center-focused robot company, 6 River Systems last year. A global, automated fulfillment network will put Shopify far ahead of most of its competitors and bring its market value much closer to the trillion-dollar mark.

## Other Shopify acquisitions

While Shopify's other acquisitions this year may not have grabbed many headlines, they're just as consequential.

Acquiring Tictail, for instance, gives the company a foothold in the social shopping segment of the market. Similarly, Kit CRM allowed the company to launch an email marketing and chatbot service.

Investors can expect the company to gradually enter new segments – merchant financing, growth funding, trade financing, insurance via similar acquisitions over time. All of these new verticals add value to the core Shopify platform and boost the company's chances of being a trillion-dollar behemoth.

## Bottom line

Shopify is Canada's biggest tech success story. However, to keep the story going the company needs to add new business verticals and expand the platform. This year, it doubled down on this strategy by acquiring new startups and launching its own fulfillment and wholesale networks.

All of these could deliver billions in extra value for shareholders over the next few years.

### CATEGORY

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