



## Vancouver's Warren Buffett had an IPO Last Week!

### Description

Investment legends such as Warren Buffett and Prem Watsa have already built their fortune. Buffett's career is nearly seven decades old at this point. For young investors, spotting the *next* investment legend is key to building a fortune. Now, a 34-year-old college dropout from Vancouver could claim that title.

Here's what you need to know about Andrew Wilkinson and his company December 14 initial public offering (IPO).

### The Warren Buffett of Technology

Wilkinson dropped out of college to launch his web design agency, WeCommerce in 2009. Eventually the agency attracted top-tier Silicon Valley clients such as **Pinterest**. The company was so immensely profitable that he had to start investing capital elsewhere.

His intention was to replicate Warren Buffett's successful investing techniques in the tech industry. Primarily focused on high-margin internet companies with durable competitive advantages and reliable recurring revenue.

The portfolio now includes 30 niche tech companies such as podcasting platform Supercast, product design agency MetaLab and a social network for designers called Dribbble. Many of the portfolio companies service the **Shopify Marketplace ecosystem**. Altogether, it's a mix of quirky tech platforms hyper-focused on overlooked segments of the online economy.

Wilkinson estimates that the combined value of the portfolio is between "\$600 million to \$1 billion." That valuation may have surged this week after part of his empire was listed on the Toronto Venture Exchange.

### IPO

**WeCommerce Holdings Ltd.** was listed via a special purpose acquisition corporation (SPAC) called **Brachium Capital Corp.**

([TSXV:WE](#)). At its current market price of \$27.4 per share, the company is worth \$974 million.

To be clear, WeCommerce is only part of the Wilkinson empire. This holding company focuses exclusively on the Shopify ecosystem. Its underlying subsidiaries include Pixel Union, a developer of Shopify themes and applications. Other subsidiaries such as Rehash and Foursixty offer e-commerce design services and Instagram shopping integrations.

Valuing [small digital startups](#) is difficult. These are usually high-margin businesses with little to no tangible assets, which is why I prefer to focus on free cash flow. According to the company's filings, cash flow from operating activities were \$2.5 million in 2019 and \$2.4 million in 2018. That means the current valuation is 380 times operating cash flow.

That valuation makes it difficult to recommend WeCommerce right now. However, future acquisitions and organic expansion could drive cash flow much higher in the near-future.

I believe tech investors looking for a long-term bet should keep this stock on their radar and follow future earnings reports to see how the company's underlying cash flows expand.

## Bottom line

Andrew Wilkinson has had incredible success investing in niche internet companies in recent years. He could well be Canada's next Warren Buffett. Now that his company is public, regular investors can bet on his future ventures.

However, the stock is trading at a significant premium which makes me uncomfortable. Internet and software companies are in vogue right now, which is why valuations are so high. Nevertheless, I believe tech investors should keep this stock on their radar to see how future acquisitions pan out.

Merry Christmas!

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2. Tech Stocks

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vraisinghani

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