



Should Shopify Investors Worry About Amazon's Acquisition of Selz?

Description

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) stock has been unstoppable in recent years. If you bet against it, as Citron Research's Andrew Left did previously, you got hurt. Infamous short-seller Andrew Left took a big hit with his past Shopify or **GameStop** shorts. This goes to show that short-selling can be dangerous in an era of [WallStreetBets](#), even if you've got a sound bearish thesis, as Left always has.

I guess you could say Left wasn't right! (Groan).

I'm a fan of the Shopify story, but I wouldn't dare touch shares with a barge pole with its nosebleed-level valuation metrics.

Sure, the stock has always been absurdly expensive based on traditional metrics like the price-to-sales (P/S) multiple. But those who bet against the name based solely on expensive multiples have been run over, as Shopify shares have continued to defy the fundamental laws of gravity. With COVID-19 tailwinds to its back, there's no question that SHOP stock deserved a considerable amount of [multiple expansion](#). But just how much is too much?

With Shopify stock currently trading at north of 72 times sales, the stakes have never been higher. As COVID-19 tailwinds fade away, there's no telling whether the company can continue building upon its sales growth momentum. While the strength in e-commerce has been pulled forward by a few years, I'm not so sure how the company will stack up against **Amazon.com** ([NASDAQ:AMZN](#)) should it decide to give Shopify another run for its money in the small- and medium-sized (SMB) space.

Is Amazon coming after Shopify's lunch?

As you may remember, Amazon had limited success in taking on Shopify for its share of the budding SMB e-commerce space. Amazon had to pull the brakes on its SMB efforts a few years back as Shopify continued to build a moat around its offering. Shopify seemed indisputable at the time.

More recently, Amazon announced that it had scooped up Selz, an Australian Shopify competitor that's in the business of helping SMB merchants start their own e-commerce platforms. The deal actually

happened a month ago, but it wasn't announced to the general public until this week.

While Amazon's plans are not yet clear, the e-commerce behemoth is ready to take the fight to Shopify again. Call it round two of a lengthy boxing match, if you will.

If there's a tremendous growth market that Amazon can spread its wings into, you can bet that the firm will look to put its disruptor hat on, with or without its legendary founder Jeff Bezos at the helm. Disruption is ingrained in Amazon's culture, and it would be unwise to bet against the firm, no matter how far-fetched its new target markets seem.

The firm thrives in competitive environments, and if I were a Shopify shareholder, I'd be a tad concerned over Amazon's Selz scoop-up.

Should Shopify investors be worried?

Shopify investors were little-rattled by Amazon's Selz deal. Shares of Shopify are picking up traction once again, up 33% from its January lows, and they're probably not going to slow down anytime soon. If Shopify fought off Amazon before, it could do it again, right?

I'm not too sure. Amazon struggled to knock Shopify off the podium before, but that doesn't mean it can't acquire its way to become a bigger threat in the SMB scene. The Selz deal, while relatively small, brings in talent and expertise that could help it alleviate the pressures brought forth by the SMB e-commerce king that is Shopify.

Foolish takeaway

While I wouldn't overreact to the Amazon-Sel deal, I would encourage Shopify investors to consider taking a little bit of profit off the table at these heights.

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