



## Forget Shopify (TSX:SHOP): Buy This Stock Instead

### Description

**Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) has been one of the best-performing tech stocks in Canada over the past year. Shoppers turned to online alternatives as the economy was shut, which propelled Shopify's historic surge. However, now the company faces a tougher road for growth ahead.

Investors looking for hyper-growth should look to the periphery of this tech giant for opportunities. Here's why Shopify stock's growth is expected to slow down and why investors should seek out smaller e-commerce tech companies instead.

### Shopify stock's outlook

Shopify faces two challenges ahead: base effects and the law of large numbers.

Base effects from last year are immense. Malls and physical stores were shut across much of the world for most of 2020, pushing everyone to shop online. Shopify's user base and merchant numbers skyrocketed. Now, 2021's growth will be based on a higher floor, which means the headline numbers are expected to be much lower.

Earlier this year, the management team admitted that this year's growth rate could be lower than last year's.

Another hurdle the company faces is the law of large numbers. Adding an extra billion dollars in sales is a big leap if the company is worth \$10 billion, but it barely moves the needle when the company is worth \$100 billion. Shopify is currently worth \$188 billion. Its acquisition and product strategy will have to get much more aggressive to sustain double-digit growth ahead.

All things considered, Shopify still has plenty of room to grow. This market is worth several trillion, so Shopify is still a multi-bagger. But much of the low-hanging fruit is now gone and growth could be slower. If you're looking for a faster alternative, you might want to consider **WeCommerce** ([TSXV:WE](#)).

## Shopify services

WeCommerce owns and manages a network of small businesses that serve the Shopify ecosystem. Essentially, the team acquires apps, theme developers, toolmakers, and software solutions that help Shopify merchants.

The company's portfolio of Shopify businesses includes Pixel Union (web developer), Foursixty (Instagram-based shopping app), and Out of the Sandbox, a developer of Shopify themes.

WeCommerce is currently worth \$440 million – far less than most Canadian tech stocks. But the opportunity is immense. As the Shopify ecosystem grows and expands, the need for software services and app creators should multiply. The fact that Shopify has eliminated fees for small merchants on the platform this year should further enhance this growth story.

WeCommerce has plenty of room to [expand via acquisitions](#). It could be a better way to bet on the Shopify story in 2021.

## Bottom line

Shopify's growth story is far from over. However, the growth rate could slow down in the years ahead. The company is already one of the largest players in global e-commerce. At this stage, it faces more hurdles and intense competition. Investors could bet on a service provider that benefits from Shopify's expanding ecosystem instead. WeCommerce is an ideal proxy bet for hyper-growth seekers.

### CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:SHOP (Shopify Inc.)
3. TSXV:WE (WeCommerce)

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**Author**

vraisinghani

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