Long Ideas | Services | Canada

Shopify: Add It To Your Cart

Nov. 4, 2020 4:37 PM ET | 23 comments | 10 Likes | About: Shopify Inc. (SHOP), Includes: ADBE, AMZN, AXP, EBA...

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Summary

- Shopify's platform offers an unmatched ecosystem of tools and services for merchants looking for effective omnichannel solutions to empower selling activity and analytics.
- The enterprise SaaS business model includes a success-based component which provides significant operational leverage, as merchants sell more, Shopify makes more money.
- Shopify is the only at-scale ecommerce operating platform, with competitors offering parts of what the platform does.
- Over 1m merchants use Shopify's platform ranging from small 1-person companies up to large Fortune 100 names.

Thesis

We believe Shopify (NYSE:SHOP) is superbly positioned to benefit from the increasing proliferation of eCommerce, particularly companies looking to own their own brands. The business has multiple competitive advantages working in its favor, including customer switching costs, network effects and scale. We think it is well-positioned to continue to win as a beneficiary of major secular tailwinds including rising adoption of ecommerce, merchant demand for effective omnichannel sales tools and centralized fulfilment services. Long-term investors looking for a good entry point should keep an eye on the stock, we would strongly advocate a long position near $900 as this would present significant upside to fair value.

Depot		
FB	287.38	8.32%
NVO	69.97	7.22%
CHTR	634.47	7.18%
AMZN	3,241.16	6.32%
GOOGL	1,745.85	6.09%
SHOP	996.00	5.76%
AAPL	114.95	4.08%
BABA	295.71	3.55%
VRNT	52.48	2.68%
GILD	59.87	1.77%
DG	216.23	1.00%
ACN	227.92	0.98%
CHD	89.77	0.86%

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Company Overview

Shopify was started to solve a problem. Tobias Lütke opened an online snowboard store (Snowdevil) and was dismayed at how difficult it was to start an internet business. It was difficult to build and manage the website, inventory, to engage with customers, and accept payments. Lütke used the open source web application framework Ruby on Rails to build Snowdevil's online store, and launched it in 2 months. The Snowdevil founders launched the platform as Shopify in June 2006.

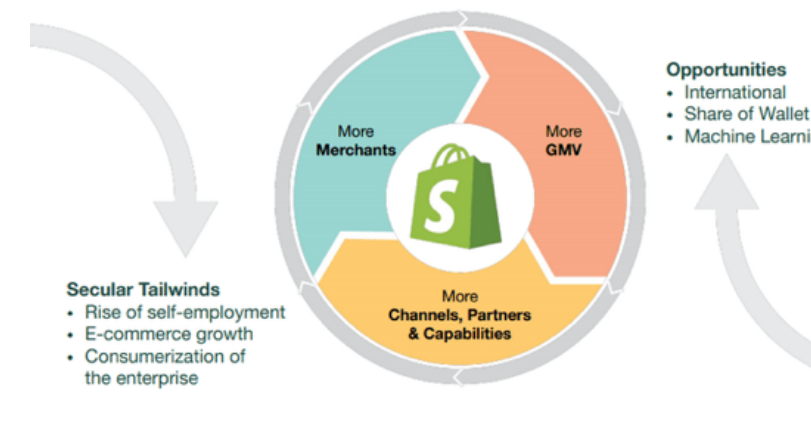
Lütke effectively built Shopify's business with a dogmatic focus on merchant experience, making it as easy as possible to set up an online store. This creates huge value for merchants in the form of time and money saved, and places Shopify in a great position to take a small percentage of a merchant's revenues. Shopify Gross Merchandise Value and Revenue grew at 106% and 95% CAGRs respectively over the past five years, and the stock is up over 3,800% since IPO.

Through a series of acquisitions and internally developed initiatives, Shopify has broadened out its capabilities and offerings into a complete end-to-end global commerce operating system for merchants to run their business across all their sales channels. Importantly, merchants own their own brand and develop direct relationships with their customers and empower them in a symbiotic relationship, rather than compete with them or each other as done by Amazon (AMZN).

Business Model

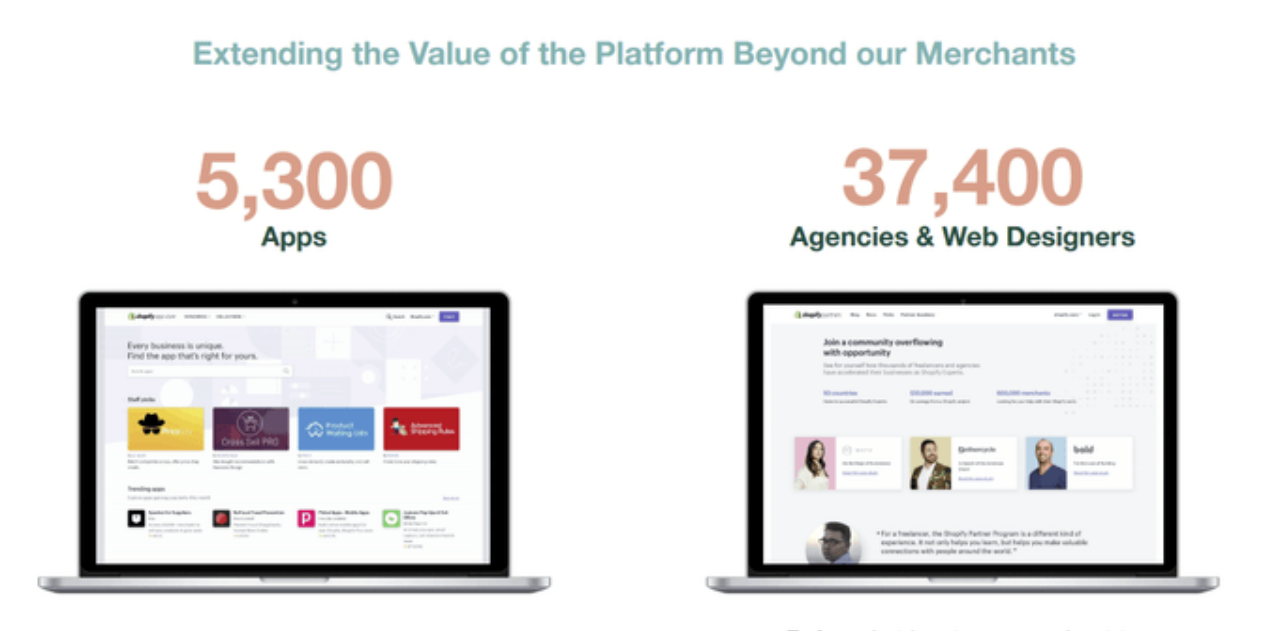
The business model consists of an enterprise SaaS subscription business and a success-based component. Merchants pay a monthly recurring subscription to access the platform and features, with multiple subscription options which scale with required functionality. The model incorporates a "land-and-expand" or "up-sell" element as the platform allows merchants to purchase services they require to scale their business as they grow, e.g. ability to add the following on top of a company's website: shopping cart, checkout, payment processing, additional channels (Facebook, eBay, Instagram) shipping and fulfillment, in addition to physical point-of-sale solutions to help physical stores become omnichannel.

The model is driven by Shopify's ability to attract new merchants, retain existing merchants, and increase sales to both new and existing merchants. Merchants represent a wide array of retail verticals and business sizes. The heart of Shopify's business model is a flywheel - merchant growth fuels investment in product & offering which fuels scale which fuels further merchant growth:



Source: Shopify Q3 2020 Investor Presentation

By working with partners, the business has an expanded sales force, the partner ecosystem helps drive the growth of our merchant base, which in turn further accelerates growth of the ecosystem.


Extending the Value of the Platform Beyond our Merchants
5,300
Apps
37,400
Agencies & Web Designers
Apps extending product capabilities
Referred at least one merchant to Shopify in the last 12 months

Source: Shopify Q3 2020 Investor Presentation

Products and Services

Shopify offers subscription solutions revenues from the sale of tools and services merchants can use to start and/or scale a business. Features include:

Subscription Solutions

Online store creation and management which includes all the features required to run an eCommerce store like store front/full website creation, shopping cart, marketing & SEO, web hosting, analytics, mobile app support, technical support, blogging platform, order processing, customer accounts and order fulfillment.

Point-of-sale or 'POS' which integrates accepting payments across online and offline channels. Features include Mobile POS, personalized marketing, integrated loyalty programs, staff roles and permissions, in-store analytics, "buy online, pickup in store". Includes hardware solutions similar to Square's (SQ) POS and accepts all major payment methods: Visa (V), Mastercard (MA), American Express (AXP), Google (GOOG) & Apple Pay (NASDAQ:AAPL) - allowing merchants to accept cards for a 1.5% fee.

Merchant Solutions

These augment solutions provided via subscriptions to address the broad array of functionality merchants commonly require, including accepting payments, shipping and fulfillment, and securing working capital.

Shopify Payments is a fully integrated payment processing service that allows merchants to accept and process payment cards online and offline and is also designed to drive higher retention among merchant subscribers. Over two-thirds of merchants in 15 countries use the functionality which allows merchants to track their orders and payments via integrated back office functionality and analytics.

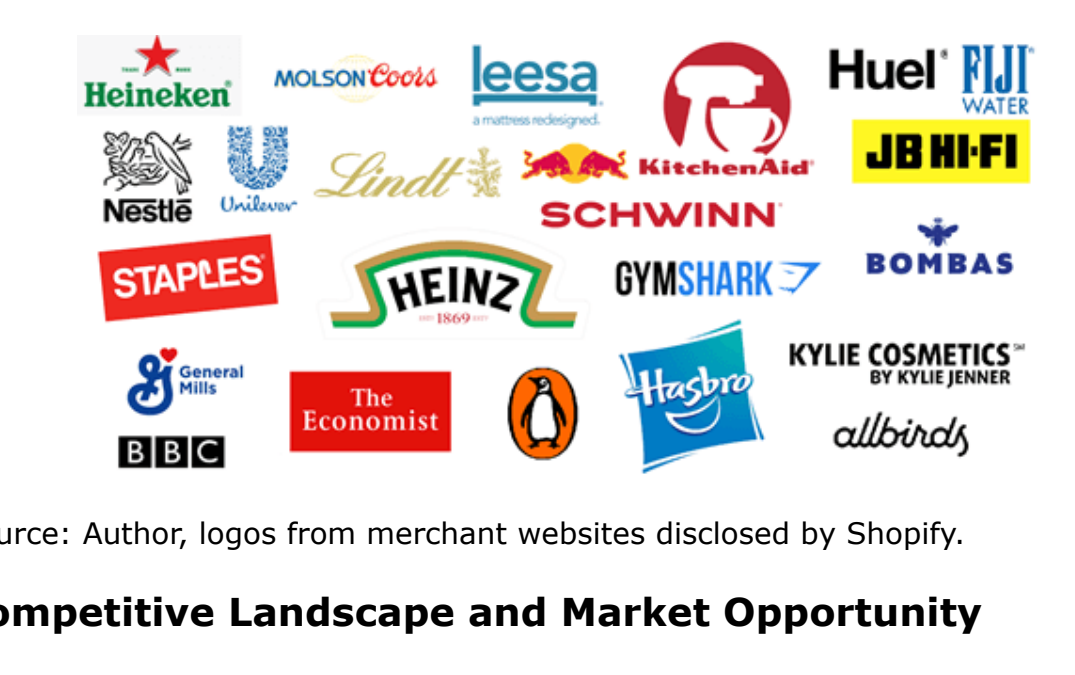
Shopify Shipping was launched in the USA in September 2015 and in Canada in September 2016, and allows merchants doing their own fulfillment and shipping to select from a variety of shipping partners to buy and print outbound and return shipping labels and track orders directly within the Shopify platform. Supports major shipping services including USPS, UPS (UPS), DHL.

Shopify Fulfillment Network was launched in June 2019, for merchants looking to outsource fulfillment. Leveraging a partner network of fulfillment centers dispersed across the USA, it is designed to help ensure orders are delivered quickly and cost-effectively by leveraging Shopify's scale with machine learning tools, including demand forecasting, smart inventory allocation across warehouses and intelligent order routing. Shopify leverages cloud-based software and collaborative mobile robots to increase the speed and reliability of their warehouse operations by empowering on-site associates with daily tasks, including inventory replenishment, picking, sorting, and packing.

Shopify App Store allows third party developers to build applications that integrate into the Shopify platform to facilitate specific services for merchants. These include integrations into advertising channels like Google, Facebook (FB), Instagram and TikTok in addition to third-party marketplaces like Amazon and eBay (EBAY). Apps also serve to enhance the functionality of the platform for merchant-specific use cases, e.g. the Jioukou app allows merchants to add group buying functionality to their shops.

Shopify Capital was launched in the United States to help eligible merchants secure financing and accelerate the growth of their business by providing access to simple, fast, and convenient working capital. Shopify applies underwriting criteria prior to purchasing the eligible merchant's future receivables. Shopify has an agreement with a third party insurer to guarantee some of the merchant cash advances offered by Shopify Capital.

Over 1 million merchants use Shopify's platform ranging from small 1-person companies up to large Fortune 100 names. Some of the larger merchants are:



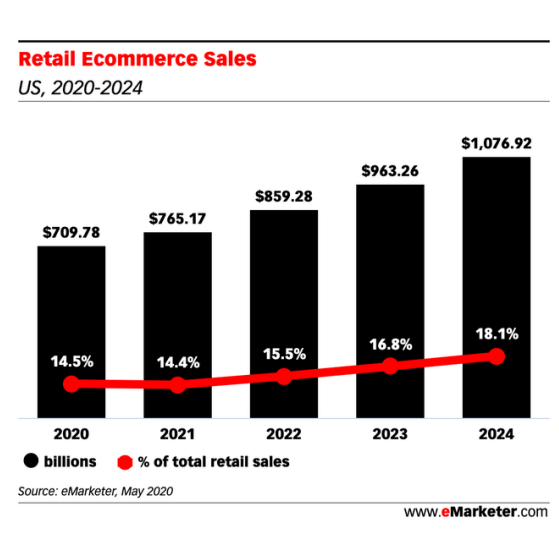
Source: Author, logos from merchant websites disclosed by Shopify.

Competitive Landscape and Market Opportunity

Shopify remains significantly under-penetrated in their addressable market, measuring by number of merchants and on Gross Merchandise Value. There are 47m small businesses globally (<500 employees) of which Shopify has about 2.9m representing about 6% by number of merchants. Shopify did $61b of GMV in 2019 which is about 4% of US GMV of $1.5tn alone.

Shopify estimate their small-medium business ('SMB') addressable market to be around $78bn assuming the 47m SMBs generate $1,653 average revenue per merchant each based on 2019 numbers. This excludes large enterprise customers.

The global eCommerce market is expected to grow at 11% p.a. over the next 5 years according to research from Meticulous Research which is the same as the US. Shopify's expansion has far exceeded 11% p.a. growth given its embedded operational leverage on eCommerce. Over the 5 years to FY 2019, Shopify's revenue growth averaged 73% p.a. which excludes Pandemic tailwinds. Current analyst expectations as pooled from Bloomberg indicate 76% year-on-year revenue growth for this year or FY 2020.



Source: Meticulous Research

The eCommerce opportunity remains massive as it is still just 14% of total worldwide retail sales. Unless Amazon will account for 100% of eCommerce (unlikely), there is room for others. Mobile represents 51% of online purchases, in which Shopify has a particularly strong offering it developed much faster than peers. New modes of consumption, channels (wearables, social media) are constantly under development. China remains the fastest growing eCommerce market globally, expansion in Asia represents a good potential future growth avenue, although we think local players will dominate in China. Falling shipping costs, localized fulfillment and innovation around last mile delivery networks are working to enhance speed and quality of delivery as well as lower cost - 50% of consumers who abandon an online purchase do so because of extra costs, primarily shipping.

Competition

There is no like-for-like competitor offering an integrated platform like Shopify, allowing merchants to retain ownership of their brand.

Many small competitors exist which offer pieces of what Shopify does, they include longstanding eCommerce website tools like Magento which was acquired by Adobe (ADBE) in June 2018, SAP Hybris (SAP) and Oracle ATG (ORCL), however these are tailored to large enterprises who are effectively forced to adopt subpar expensive products - worked in the days of on-prem solutions when it was expensive and time consuming to rip out established solutions. But Shopify's cloud-based offering allows for quick implementation and scaling, as evidenced by Kylie Jenner's Kylie Cosmetics creating a billion-dollar business on Shopify within 3 years.

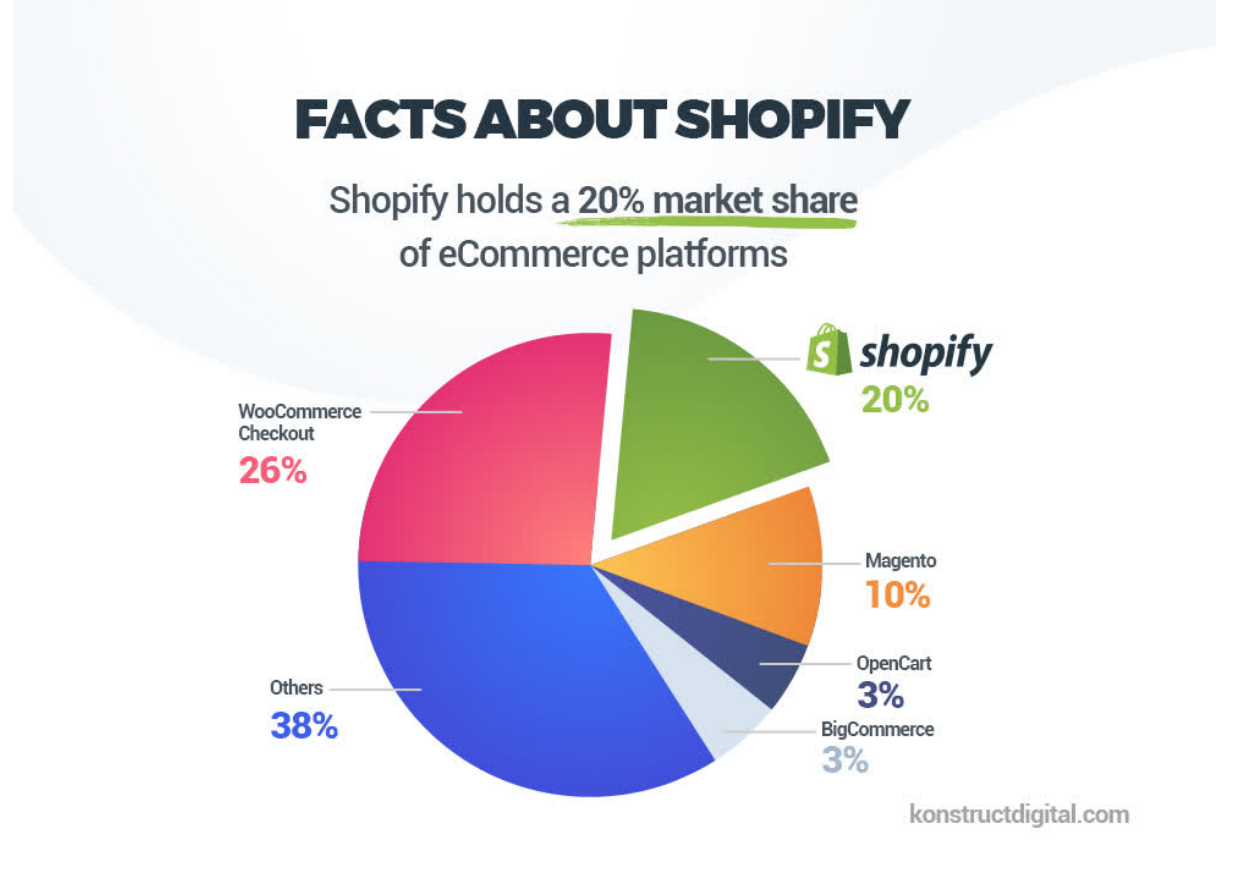
The smaller DIY website builders like Wix (WIX), Weebly, Squarespace and GoDaddy (GDDY) are more focused on creating a landing page or basic online presence. Most of them have third party partners that provide the ancillary software needed to actually run a business. This makes the process more complex than the one-stop Shopify.

On the payments or point-of-sale side, Shopify competes against Square and Stripe. Whilst their offerings are great on a standalone basis, they lack the rest of the Shopify package.

End-to-end online merchant solution providers like Etsy (NASDAQ:ETSY) and Amazon crucially do not allow merchants to really own their brands. Their business models are built on the notion that customers come to their platforms to find goods, hence they own the customer relationship, not the merchant. This results in merchants often having poor experiences on these marketplace platforms, particularly when Amazon decides to compete against the merchants on its own platform. Etsy is significantly more expensive vs. Shopify, and merchant functionality does not offer the same level of control and flexibility - it also lacks omni-channel capabilities and is suited more towards low-volume arts and crafts producers.

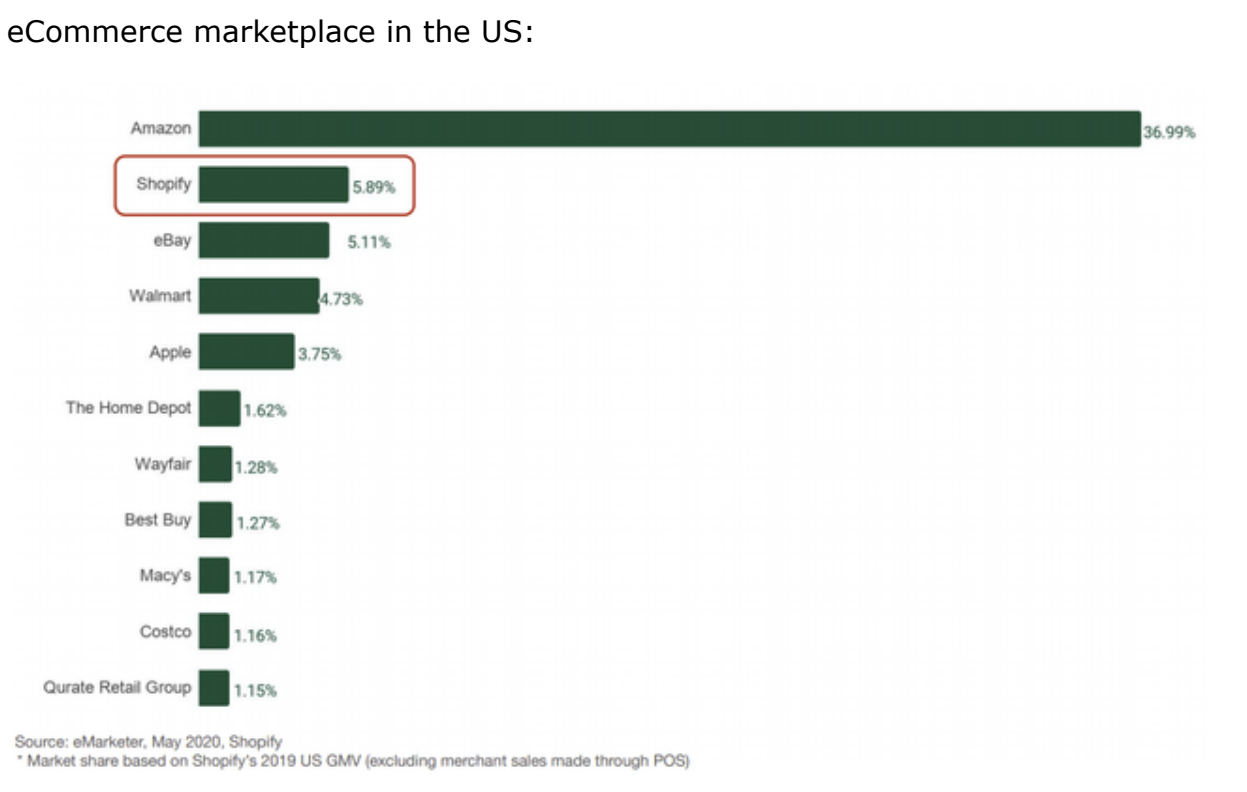
Merchants who want to preserve their brands do not want their products commoditized on the "everything store". Shopify merchants are purposefully building their own brands, going around Amazon, selling through other channels, and owning that direct-to-customer relationship. Amazon also takes between 7%-15% in referral fees for merchants selling via Marketplace. In September 2015 Amazon announced it would be closing its Amazon Webstore service for merchants, and had selected Shopify as the preferred migration provider - a big win for Shopify and a testament to the strength of the proposition.

Shopify has around 20% market share of eCommerce platforms:



Source: The Ultimate List: 50+ Surprising Shopify Statistics | Konstruct Digital

Aggregating across all merchants using Shopify, it would be the second largest eCommerce marketplace in the US:



Source: Shopify Q3 2020 Investor Presentation

Competitive Advantages

Switching costs: once merchants adopt the platform, it becomes a mission-critical component of their operations that they struggle to switch away from given the expense and potential disruption to core business from doing so. This allows Shopify to upsell additional services to their existing merchant base which enhances customer lifetime value.

Network effects: Shopify allows third-party developers to sell tools on its app store and gets a cut of each sale. Over 1m merchants using the Spotify platform helps attract additional app developers.

Partner ecosystem: two types of partner build apps which enhance the platform and help bring in new business via referrals. According to Shopify 30,300 partners referred new merchants in 2019 - acting as a distributed salesforce. Shopify pays a referral fee to partners when they bring new merchants to the platform.

Breadth of offering: Shopify offers the most complete, end-to-end, omnichannel solution for merchants. The most important tangential offerings they have are a point-of-sale system for physical retail, Shopify Payments to manage the actual transactions, Shopify Capital makes loans to customers to help them grow, Shopify Shipping helps with shipping and returns, and Fulfilment Network is their newest undertaking. Shopify's proposition is broad enough to accommodate merchants of any size which is another strong selling point for those expecting to scale up their businesses rapidly and do not want to encounter growing pains.

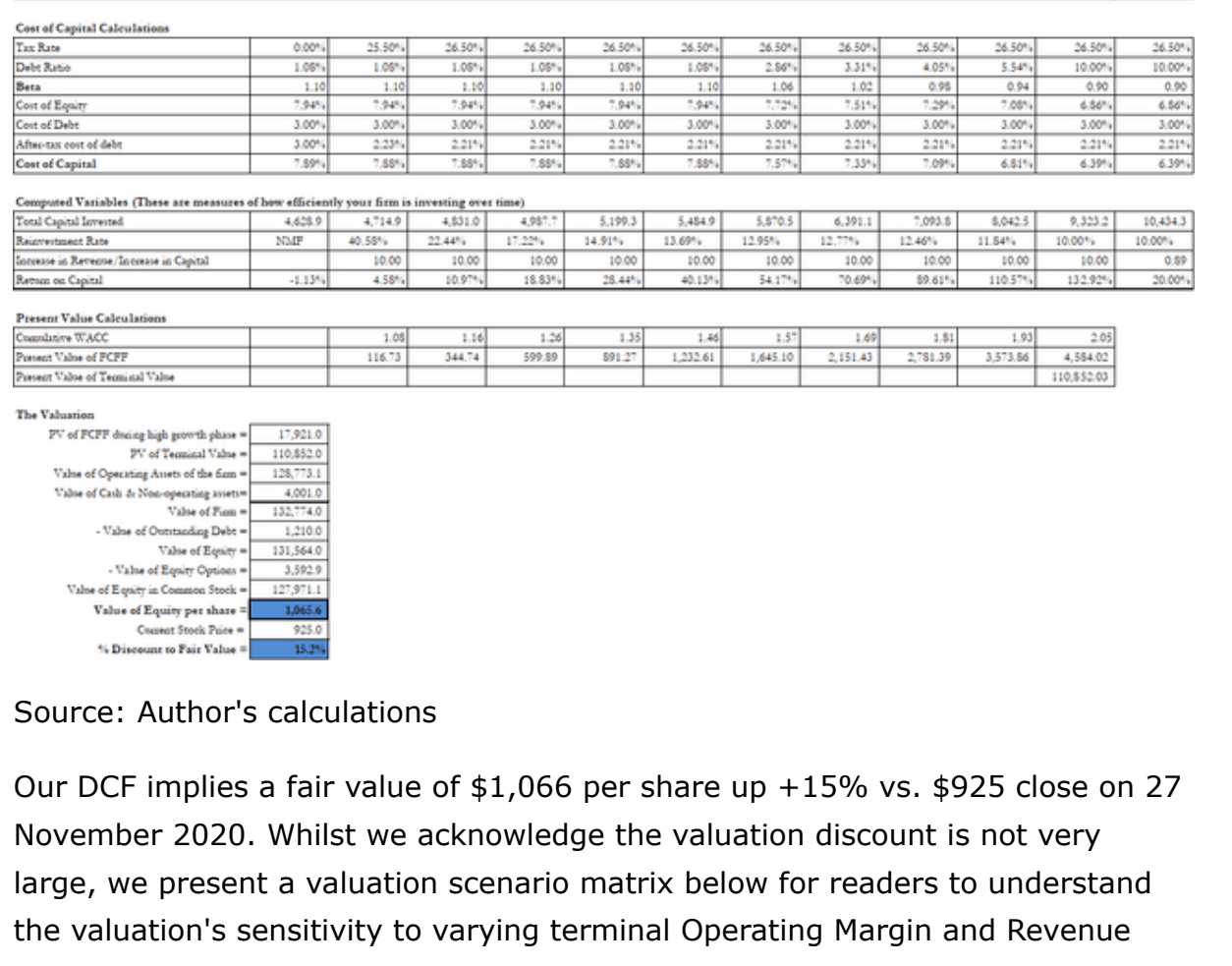
Strategic Partnerships: in June 2020, Shopify partnered with Walmart which opens up Walmart's Marketplace to Shopify's small business sellers which expands reach of the participating brands by placing them in front of Walmart Marketplace's 120m monthly visitors and offer free 2-day shipping. Shopify sellers have access to Walmart locations as shipping destinations. Shopify has demonstrated a strong willingness to work with third parties to enhance its platform. In Q3 2020, they launched a TikTok integration, enabling merchants to market their products using TikTok for Business. Merchants are able to create in-feed video ads that autoplay between videos while users scroll through their For You page. Shopify and TikTok will also collaborate to test new commerce features over the coming months that will further empower merchants to expand their paid and organic reach in video and on profiles.

Scale/Flywheel: there are over 319m average monthly unique visitors to Shopify merchant shops resulting in 65.5m orders per month or $61.1 GMV in 2019. Last year, Shopify accounted for 5.9% of all U.S. retail e-commerce sales, compared to Amazon's 37.3% share. By attaching its ecosystem to Walmart (4.7% of U.S. e-commerce sales), Shopify complements its long-term growth strategy and gives merchants a significant boost to their visibility. Achieving scale allows Shopify's flywheel business model to work, much like Amazon. Shopify is using its scale to leverage transaction data as it has visibility across tens of billions of transactions accumulated over 10+ years of operation. The company is applying machine learning to this data to enhance its products and services e.g. analytics for merchants to reduce cart-abandonment, product enhancement, competitive positioning, advertising optimization etc.

Valuation

We ran a 2-stage DCF model assuming:

Shopify remains well-positioned to gain share in the eCommerce market, as it continues to expand internationally and up-market and grows its merchant solution portfolio, driven in part by accelerated adoption thanks to the Pandemic. Expected revenue growth for next year using consensus (+65% YoY) and trailed to give 35% p.a. over the next 10 years. This Base case growth path is consistent with Amazon's path from 1999, when revenues were about $1.6bn, similar to Shopify's current level. If Shopify does 10% of US GMV by year 10 (up from 4% today), that represents $150bn in GMV, and would equate to an additional $10.3bn in Merchant Solutions revenue implying an additional $11.5bn in Subscription Solutions revenue to hit $21.8bn in year 10 - assuming current conversion rates, which we expect to improve over time. We expect Operating Margins of -2% to reach 30% over 10 years, a lot higher than Amazon's 5.7% margins, as we don't believe Shopify will embark on costly infrastructure build-outs, rather continue its current strategy of partnering with third parties where Capex is intense and focus on the software subscription side. The 30% is consistent with established enterprise SaaS business margins, but in practice could be a lot higher if the company maintains its asset-light approach.

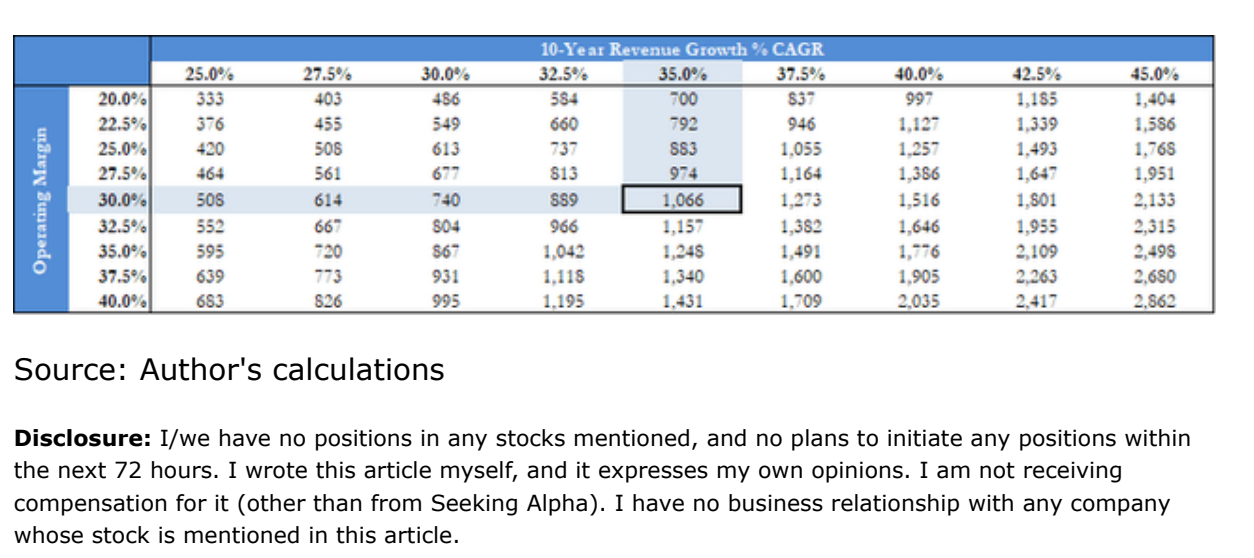


	Today	1	2	3	4	5	6	7	8	9	10	Terminal Year
Revenue Growth Rate		35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	2%
Revenues	2,456.9	3,316.8	4,477.7	6,044.9	8,160.6	11,016.9	14,872.8	20,078.2	27,105.6	36,592.5	49,399.9	50,387.9
Operating Margin	-2.1%	8.6%	15.7%	20.5%	23.7%	25.8%	27.2%	28.1%	28.7%	29.2%	29.4%	30.0%
EBIT	(52.5)	284.5	703.8	1,237.9	1,930.2	2,838.8	4,042.2	5,645.8	7,791.8	10,671.9	14,544.7	15,116.4
Taxes	-	72.5	186.5	328.0	511.5	752.3	1,071.2	1,496.1	2,064.8	2,828.0	3,854.3	4,005.8
EBIT(1-t)	(52.5)	211.9	517.3	909.9	1,418.7	2,086.5	2,971.0	4,149.7	5,727.0	7,843.8	10,690.3	11,110.5
Net Profit Margin	-2.1%	6.4%	11.6%	15.1%	17.4%	18.9%	20.0%	20.7%	21.1%	21.4%	21.6%	22.1%
+ Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
- Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	1,012.3
- Chg WC	47.0	86.0	116.1	156.7	211.6	285.6	385.6	520.5	702.7	948.7	1,280.7	98.8
Free Cash Flow to the Firm	(99.5)	125.9	401.2	753.1	1,207.1	1,800.9	2,585.5	3,629.1	5,024.2	6,895.1	9,409.6	9,999.5
NOL	10.7	-	-	-	-	-	-	-	-	-	-	
Terminal Value												227,545.5
Cost of Capital Calculations												
Tax Rate	0.00%	25.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Debt Ratio	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	2.56%	3.31%	4.05%	5.54%	10.00%	10.00%
Beta	1.10	1.10	1.10	1.10	1.10	1.10	1.06	1.02	0.98	0.94	0.90	0.90
Cost of Equity	7.94%	7.94%	7.94%	7.94%	7.94%	7.94%	7.72%	7.51%	7.29%	7.08%	6.86%	6.86%
Cost of Debt	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
After-tax cost of debt	3.00%	2.23%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
Cost of Capital	7.89%	7.88%	7.88%	7.88%	7.88%	7.88%	7.57%	7.33%	7.09%	6.81%	6.39%	6.39%
Computed Variables (These are measures of how efficiently your firm is investing over time)												
Total Capital Invested	4,628.9	4,714.9	4,831.0	4,987.7	5,199.3	5,484.9	5,870.5	6,391.1	7,093.8	8,042.5	9,323.2	10,434.3
Reinvestment Rate	NMF	40.58%	22.44%	17.22%	14.91%	13.69%	12.95%	12.77%	12.46%	11.84%	10.00%	10.00%
Increase in Revenue/Increase in Capital		10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	0.89
Return on Capital	-1.13%	4.58%	10.97%	18.83%	28.44%	40.13%	54.17%	70.69%	89.61%	110.57%	132.92%	20.00%
Present Value Calculations												
Cumulative WACC		1.08	1.16	1.26	1.35	1.46	1.57	1.69	1.81	1.93	2.05	
Present Value of FCFF		116.73	344.74	599.89	891.27	1,232.61	1,645.10	2,151.43	2,781.39	3,573.86	4,584.02	
Present Value of Terminal Value											110,852.03	

The Valuation
PV of FCFF during high growth phase = 17,921.0
PV of Terminal Value = 110,852.0
Value of Operating Assets of the firm = 128,773.1
Value of Cash & Non-operating assets = 4,001.0
Value of Firm = 132,774.0
- Value of Outstanding Debt = 1,210.0
Value of Equity = 131,564.0
- Value of Equity Options = 3,592.9
Value of Equity in Common Stock = 127,971.1
Value of Equity per share = 1,065.6
Current Stock Price = 925.0
% Discount to Fair Value = 15.2%

Source: Author's calculations

Our DCF implies a fair value of $1,066 per share up +15% vs. $925 close on 27 November 2020. Whilst we acknowledge the valuation discount is not very large, we present a valuation scenario matrix below for readers to understand the valuation's sensitivity to varying terminal Operating Margin and Revenue growth assumptions, with our central case highlighted:



		10-Year Revenue Growth % CAGR								
		25.0%	27.5%	30.0%	32.5%	35.0%	37.5%	40.0%	42.5%	45.0%
Operating Margin	20.0%	333	403	486	584	700	837	997	1,185	1,404
	22.5%	376	455	549	660	792	946	1,127	1,339	1,586
	25.0%	420	508	613	737	883	1,055	1,257	1,493	1,768
	27.5%	464	561	677	813	974	1,164	1,386	1,647	1,951
	30.0%	508	614	740	889	1,066	1,273	1,516	1,801	2,133
	32.5%	552	667	804	966	1,157	1,382	1,646	1,955	2,315
	35.0%	595	720	867	1,042	1,248	1,491	1,776	2,109	2,498
	37.5%	639	773	931	1,118	1,340	1,600	1,905	2,263	2,680
	40.0%	683	826	995	1,195	1,431	1,709	2,035	2,417	2,862

Source: Author's calculations

Disclosure: I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

5 Top Stocks To Buy Now!

SHOP may be an interesting stock, but do you know which stock is the highest rated in SHOP's sector? We've prepared a list of the strongest, most compelling buys in each industry. Seeking Alpha Premium's Top-Rated Stocks have consistently outperformed the market 3-to-1 over the last 10 years.

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Tony Montana Munich
Add Your Comment: (NEW! Use @ to tag a user)

Share your comment: ☐ ☐ ☐ Publish

Tall Seller
Comments (9884) | + Follow

💥BIG acknowledgment from Facebook for Shopify!

Head of Facebook Financial, David Marcus says the following about Shopify:

“Tipping my hat to the Shopify team for the flawless execution of Shop Pay and the Shop app. I find myself buying more things because of lower checkout friction and peace of mind of easy centralized tracking in the app. More merchants will use Shopify as a result of it.”

✔️ mobile.twitter.com/...

He obviously sees that Shopify is going to SKYROCKET better than anyone.

And, when his Libra solutions launch with Shopify, get ready for Shopify to go up SIGNIFICANTLY (my speculation).

📈📈🚀🚀🚀🔜💰💰

04 Nov 2020, 04:47 PM

Like 3 Reply

Ramy Taraboulsi, CFA
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Libra does not compete against other cryptos, but rather against government fiat currencies. I find it hard to believe that governments could be enticed to allow it.

Time will tell... I could be very wrong on this one as I have been wrong many many times before.

04 Nov 2020, 05:15 PM

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@Ramy Taraboulsi, CFA

💥DISRUPTION COMING💥

The Libra Association appoints Ian Jenkins as Chief Financial Officer and Chief Risk Officer

👉 libra.org/...

🗣“I am excited to join the Libra Networks leadership team at a time when innovation in the financial sector has the potential to empower billions of people worldwide,” said Ian Jenkins, Chief Financial Officer and Chief Risk Officer of Libra Networks. “The Libra project is poised to transform the industry and I am looking forward to being part of this team.”

• Mr. Jenkins brings three decades of senior leadership experience in financial services across a variety of executive roles in risk, operations, and strategy to Libra Networks. As a distinguished industry leader with a broad global background, he has held CFO, CRO, and COO positions at top international banks including HSBC, Credit Suisse, and Santander. Most recently, he served as the Head of Business Finance and Group General Manager of HSBC.

🗣 "Ian's deep expertise in global finance, risk and strategy will be crucial in bringing the Libra vision to life," Libra Networks Managing Director James Emmett said. "I look forward to working with Ian as we move forward to a more operational phase of the project."

• The appointment of Mr. Jenkins follows a series of progress updates this year, including the selection of senior executives of Libra Association, including Stuart Levey as CEO and Steve Bunnell as Chief Legal Officer. This followed the appointment of James Emmett as Managing Director of Libra Networks, Sterling Daines as Chief Compliance Officer alongside the announcement of new members and an update on the regulatory and licensing progress with the Swiss Financial Markets Supervisory Authority (FINMA).

As the ONLY e-commerce member of Libra, Shopify is going to SKYROCKET as Libra/Shopify roll out NO FEE (or very low fee) currency exchange for cross border e-commerce transactions. A tidal wave of B2B and D2C e-commerce customers that transact $TRILLIONS/year will flood to Shopify for this service and for whatever other fintech/ecomm solutions they cook up.

BUY AND HOLD Shopify for me, people.

04 Nov 2020, 05:20 PM

Like 1 Reply

Tall Seller
Comments (9884) | + Follow

@Ramy Taraboulsi, CFA

You should read Libra’s updated white paper, as your assumption above is incorrect.

Libra is NOW designed with 2 tiers with the lower tier being benchmarked against each currency it operates in each country and then a global tier that allows a seamless a low fee (or NO FEE) currency exchange for Libra users to go from the country specific Libra tier to the global tier and back down to another countries Libra tier.

Sorry, you are making assertions based on the first iteration of Libra which is NOT the current solution about to be launched.

04 Nov 2020, 05:23 PM

Like 1 Reply

Ramy Taraboulsi, CFA
Contributor Premium
Comments (2260) | + Follow

@Tall Seller , link please to the updated white paper? I am really interested in this topic, and would like to see how Libra is not competing against fiat currencies.

04 Nov 2020, 05:26 PM

Like 0 Reply

Up and Away
Comments (3817) | + Follow

@Ramy Taraboulsi, CFA

Agree on Libra. Some governments/countries may allow it but I also do not see allowing Libra which could possibly replace the American dollar. What doesn't evolve around the dollar? The Chinese are already accepting their currency in lieu of the dollar from other countries bc it is to their advantage, not ours.

04 Nov 2020, 06:31 PM

Like 0 Reply

Tall Seller
Comments (9884) | + Follow

Here is the updated white paper for Libra (that I’ve posted for you before):

libra.org/...

“This updated white paper outlines the significant work we have done on the design of the Libra payment system since June 2019. Four key changes have been made to address regulatory concerns that deserve specific attention, each of which is addressed briefly below and then in more depth in the updated white paper:

Offering single-currency stablecoins in addition to the multi-currency coin.

Enhancing the safety of the Libra payment system with a robust compliance framework.

Forgoing the future transition to a permissionless system while maintaining its key economic properties.

Building strong protections into the design of the Libra Reserve.

Offering single-currency stablecoins in addition to the multi-currency coin

While our vision has always been for the Libra network to complement fiat currencies, not compete with them, a key concern that was shared was the potential for the multi-currency Libra Coin (≈LBR) to interfere with monetary sovereignty and monetary policy if the network reaches significant scale and a large volume of domestic payments are made in ≈LBR. We are therefore augmenting the Libra network by including single-currency stablecoins in addition to ≈LBR, initially starting with some of the currencies in the proposed ≈LBR basket (e.g., LibraUSD or ≈USD, LibraEUR or ≈EUR, LibraGBP or ≈GBP, LibraSGD or ≈SGD). This will allow people and businesses in the regions whose local currencies have single-currency stablecoins on the Libra network to directly access a stablecoin in their currency. Each single-currency stablecoin will be fully backed by the Reserve, which will consist of cash or cash equivalents and very short-term government securities denominated in that currency. We hope to work with regulators, central banks, and financial institutions around the world to expand over time the number of single-currency stablecoins available on the Libra network. ≈LBR will not be a separate digital asset from the single-currency stablecoins. Under this change, ≈LBR will simply be a digital composite of some of the single-currency stablecoins available on the Libra network. It will be defined in terms of fixed nominal weights, such as the Special Drawing Rights (SDR) maintained by the International Money Fund (IMF). ≈LBR can be used as an efficient cross-border settlement coin as well as a neutral, low-volatility option for people and businesses in countries that do not have a single-currency stablecoin on the network yet. This approach has the added benefit of allowing the network to support a wider range of domestic use cases and of providing a clear path for seamlessly integrating central bank digital currencies (CBDCs) as they become available. For more details, libra.org/... .”

There is more to it for the answer to your question...so feel free to quote it yourself here instead of me doing the research for you.

04 Nov 2020, 06:41 PM

Like 0 Reply

Robert Lewis
Contributor Premium
Comments (691) | + Follow

Excellent article with all being accurate and true. Don't you think it might be a little pricey?

04 Nov 2020, 04:50 PM

Like 1 Reply

Tall Seller
Comments (9884) | + Follow

Na, with Shopify’s massive and very long term growth ahead, today’s share price will seem very CHEAP soon enough.

04 Nov 2020, 04:56 PM

Like 1 Reply

Daytrader77
Comments (10) | + Follow

Will get in at 720$.. 🎶🎶

04 Nov 2020, 05:03 PM

Like 0 Reply

Tall Seller
Comments (9884) | + Follow

@Daytrader77

Now that election jitters are essentially over and the expected end of year e-commerce SURGE is just beginning (with courier companies even calling what’s coming ‘shipageddon’, seen here: www.google.com/...), the ONLY way Shopify is likely ever going to $720 again is via a stock split.

Otherwise, Shopify is poised to SKYROCKET, with likely between 100-160% YoY revenue growth for this Q4 2020.

BUY AND HOLD for me.

📈📈📈

04 Nov 2020, 05:15 PM

Like 5 Reply

Ramy Taraboulsi, CFA
Contributor Premium
Comments (2260) | + Follow

@Eonia Research , you are making a statement of "If Shopify does 10% of US GMV by year 10"

Your valuation is largely based on this statement and I cannot reconcile it against my understanding of the e-commerce business and dynamics. Given that Amazon now has less than 50%, and most purchases are done through marketplaces rather than directly from merchants, IMHO, 10% is a bold number that I think is very high, possibly by an order of magnitude. Even if Shopify turns to be the only provider of e-commerce software in the world in 10 years and has no competitors, I think that 10% is way too high.

I am basing the above paragraph on my understanding that sales of Shopify merchants through marketplaces do not add to the GMV of Shopify, so please correct me if I am wrong.

I think that this statement needs to be substantiated. I reviewed your article, and while it has lots of beneficial information, I missed finding a direct justification of this critical statement.

Can you please help me reconcile this number by providing how you came up with it, and how the dynamics of e-commerce would change to prompt customers to buy directly from merchants versus buying from marketplaces?

Thanks a lot for the effort you put in publishing this report. I did enjoy reading it and I do appreciate it.

04 Nov 2020, 05:13 PM

Like 3 Reply

Tall Seller
Comments (9884) | + Follow

@Ramy Taraboulsi, CFA

Real businesses choose Shopify is their de facto agnostic hub integrator NOT Amazon...

Amazon is a one pony show e-commerce player. OF COURSE, Shopify is going to outgrow Amazon for e-commerce. Only LOSER businesses would set up on Amazon alone. WINNERS start from Shopify as their agnostic hub integrator and reach out from their to whichever of the following are best for each of their companies or each of the products for a combination of sales, marketing, brand building, interacting directly with customers, cross channel promotions, product launches, offloading of inventory, ETC....

- Shopee
- Amazon
- Mercadolibre
- all google products
- Facebook
- Instagram
- Pinterest
- Snapchat
- Kik
- Wish
- Bonanza
- Fruugo
- Catch
- Tophatter
- Rakuten
- Sophie
- Sears
- Newegg
- Jet
- Reverb
- Xero
- DPD
- PowerBuy
- Buy Button
- Ddiscount
- MyDeal
- Wanelo
- Messenger
- GOTit
- Jioukuo
- linkr
- Lyst
- Apple chat
- Microsoft products
- Best Buy
- Walmart
- TikTok
- JD
- TMall
- wechat
- Etsy
- Bing
- eBay
- Houzz
- buzzfeed
- some video games
- ETC ETC

Close to 60% of Amazon’s sales comes from 3rd party integrators (aka Shopify merchants), and that was their fastest growing cohort at 26% growth last year.

100% of Amazon’s Small Business Spotlight awards winners were Shopify merchants:

👇

twitter.com/...

Even Jeff Bezos is a Shopify merchant😂 X2:

• Washington Post

store.washingtonpost.com/...

• Blue Origin

https://shop.blueorigin.com/

Shopify is INFINITELY better for businesses than Amazon is with significantly more e-commerce growth ahead for Shopify. And therefore Shopify SHOULD trade at a higher multiple.

LONG Shopify!

📈📈📈

04 Nov 2020, 05:19 PM

Like 5 Reply

Tall Seller
Comments (9884) | + Follow

“The looming holiday shopping season could pose a challenge to shipping companies already managing a surge in e-commerce.”

👉 www.cnbc.com/...

LONG Shopify for sure...it’s going to be the craziest e-commerce holiday season ever.

📈📈📈📈

04 Nov 2020, 05:30 PM

Like 1 Reply

Long & Strong
Comments (23) | + Follow

The world is moving online and fortunately Shopify has a front row seat to this seismic shift. Buy it and tuck it away. Your future self will thank you. 🚀💥

04 Nov 2020, 05:41 PM

Like 6 Reply

Dooball
Comments (8) | + Follow

Seeking Alpha...one day you say don’t buy more SHOP. The next

day sell a bit. Then it’s buy. It’s overpriced and back and forth. It’s OK

you Alpha’s are good.

04 Nov 2020, 05:59 PM

Like 1 Reply

salnaz641
Comments (161) | + Follow

Nice bullish article. Shopify will be the "S' in FANGS - give it time. They will continue to surprise to the upside.

04 Nov 2020, 06:06 PM

Like 5 Reply

Tall Seller
Comments (9884) | + Follow

Gotta love that Shopify’s Shop App (that’s linked to their industry leading 1-click Shop Pay checkout) is one of the TOP 4 most dowloaded shopping related apps TODAY in the USA (with similar levels of top level of downloads in markets Shopify launches it in), as seen here:

sensortower.com/...

📈📈📈📈📈

04 Nov 2020, 06:31 PM

Like 2 Reply

LaPatataCaliente
Comments (7) | + Follow

You are supposing 35% of revenue growth for 10 years. That's too optimistic. 2021 average estimations according to Yahoo Finance is a 31%, so at least I would apply a 30% if not less until the terminal value. Will buy at $900, can't pay more than that.

04 Nov 2020, 06:53 PM

Like 0 Reply

Tall Seller
Comments (9884) | + Follow

@LaPatataCaliente

It will be MUCH higher than that over ten years.

04 Nov 2020, 07:36 PM

Like 0 Reply

Tall Seller
Comments (9884) | + Follow

@LaPatataCaliente

Don’t you think Shopify is going to use that $6BILLION in the bank and massive revenue come from many solutions affecting their ever growing flywheel effect, to invest in keeping their growth higher than any irrelevant averages or expectations.

Yahoo doesn’t take into account their managements constant ability to add things to keep their growth much higher than expected, RIGHT?

04 Nov 2020, 07:44 PM

Like 0 Reply

Tall Seller
Comments (9884) | + Follow

As of today, 95% of TipRanks analysts rate Shopify BUY & HOLD, as seen here:

👉 www.tipranks.com/...

With the likely 100-160% YoY revenue growth for Q4 coming for Shopify from the end of year e-commerce TIDAL WAVE from COVID, Shopify’s a BUY AND HOLD for me too.

04 Nov 2020, 07:38 PM

Like 0 Reply

BalancedDietExtraProtein
Comments (139) | + Follow

Only here to comment, clever title

04 Nov 2020, 09:33 PM

Like 1 Reply

Add a comment

Disagree with this article? Submit your own.
To report a factual error in this article, click here.
Your feedback matters to us!