Global Stewardship – monthly bulletin

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A company built to last 100 years

Global Stewardship's largest holding is Shopify. The ecommerce platform is not a household name like Amazon or eBay, but that's by design as it lets its customers' brands take the spotlight. You may have even used it yourself without knowing.

During the first wave of Covid-19 here in Scotland, we had a craving for a local bakery's spectacular pistachio and cardamom pastries. Lockdown restrictions meant it had closed its store. But to our joy, an email arrived advertising its wares online. It directed us to a slick website, where it only took a few clicks to put in an order, and the payment went through seamlessly.

How was the business able to adapt to pandemic conditions so quickly? It won't surprise you to know that at the bottom of its page was a note saying: Powered by Shopify.

The Canadian company lets anyone set up an online store to sell their products or services. Global Stewardship first took a holding at the end of 2017. As of last month, that initial stake had risen more than 15 times in value.

The share price gain has been driven by incredible operational success:

— more than 1.7 million businesses use its services to power their online operations
— almost $120bn of transactions took place on its platform in 2020
— Shopify's own revenues nearly trebled between 2018 and 2020, rising from $1.1bn to $2.9bn
— its sales figures continue to grow – revenue for the third quarter of 2021 was 46 per cent higher than the same period the prior year

Shopify is certainly a growth company, but is that growth sustainable? We believe so.

Our Positive Inclusion Factors research framework focuses on how it enables entrepreneurs to start, run and grow their business. The bakery mentioned above was a case in point.

We've previously noted how Shopify supported its clients during coronavirus lockdowns by extending free trials of its services and introducing kerbside pickups and local delivery options, among other efforts.

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We explored this further when we met Shopify's president, Harley Finkelstein, in September. We asked about the risk of its increasing scale attracting scrutiny, which could become a drag on growth. If you recall, a similar concern contributed to us selling our Facebook stake last year.

Mr Finkelstein smiled when we asked about this, and it is clearly something he and his company take seriously. Fundamentally, Shopify is well aligned with its customers: last year, the merchants on its platform generated more than $40 of revenue for every $1 captured by Shopify.

Moreover, Shopify positively contributes to society beyond catalysing entrepreneurship. We have always been drawn to its founder Tobi Lütke's vision of building a company that will last for 100 years. That goal has helped drive its interest in the environment, as evidenced by Shopify's sustainability fund, among other initiatives.

We met the fund's director, Stacy Kauk, earlier this year. She uses it to invest in proven solutions, for example planting and restoring forests, as well as frontier technologies, such as direct air capture to remove carbon from the atmosphere. This approach helps Shopify take a long-term and thoughtful approach to climate change.

The fund has also had a positive impact on Shopify's own carbon footprint. The firm offsets emissions caused by deliveries of goods sold via its Shop app, and only purchases credits from projects 'vetted' by a third-party to do so.

There are challenges ahead. For example, as Shopify grows it needs more engineers, and this has already led to it adopting a remote-first working policy – meaning working out-of-office has become the norm – to expand the available talent pool. The company will have to work hard to retain its unique culture as it grows in this way.

But it has many opportunities too, such as expanding into providing merchant bank accounts and fulfilment services. Hence Shopify remains a holding in our fund with the prospect of an exciting future.

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