

# Square Is Acquiring Weebly -- Here's Why It's a Big Deal

Acquiring this website-building startup could be a big value creator for Square.



Matthew Frankel (TMFMathGuy)

Apr 27, 2018 at 12:47PM

Payment-processing and financial technology company **Square** ([NYSE:SQ](#)) announced that it has agreed to buy Weebly, a website-building service, for \$365 million in a cash and stock deal. This could help Square accelerate its growth in two key ways -- e-commerce sales volume and international expansion.

Adding a website-building platform to Square's growing ecosystem could pay off tremendously for the company, and the acquisition's price tag could end up looking like a bargain.



SQUARE HAS EVOLVED INTO MORE THAN JUST PAYMENT-PROCESSING HARDWARE. IMAGE SOURCE: SQUARE.

### **Weebly helps address one of Square's biggest concerns**

If you're not familiar with Weebly, it is a website-building platform that allows its customers to create professional-looking websites and online stores easily. It's easy to see where this could fit into Square's ecosystem -- now, a small business could use Weebly to set up shop, Square's payment-processing solutions to collect its revenue, and [Square Capital](#) for its ongoing financing needs, just to name a few of the possibilities. As Square CEO Jack Dorsey said in the press release announcing the acquisition, "Square and Weebly share a passion for empowering and celebrating entrepreneurs."

"Omnichannel commerce is our top focus area in 2018," according to Alyssa Henry, Square's seller lead. "Whether they're an artist, a winemaker, or a hairdresser, with Square and Weebly sellers will have one cohesive solution to build their business."

With 625,000 paying subscribers and little overlap with Square's current merchant base, this creates tremendous opportunity to cross-sell Square's other services.

One common criticism of Square's business model is that it is highly reliant on brick-and-mortar, or card-present, retail. And given the gradual, but definitive, shift toward e-commerce, this is certainly a valid concern. The acquisition of Weebly gives Square a big boost in the e-commerce side of retail and potential to dramatically grow its online sales volume in the coming years.

Said Dorsey, "Square began its journey with in-person solutions while Weebly began its journey online. Since then, we've both been building services to bridge these channels, and we can go even

further and faster together."

### **Help with international expansion**

In addition to creating omnichannel solutions, one of Square's top priorities is expanding its international footprint. Aside from the U.S., Square is currently operating in just four markets -- Japan, Canada, Australia, and the U.K.

With almost 40% of Weebly's paid subscribers (about 250,000) outside of the U.S., this acquisition could certainly help accelerate Square's expansion into other high-potential markets.

Global credit card transaction volume is expected to grow 54% by 2020, and by 2025, [worldwide card payment volume](#) is expected to reach as high as \$55 trillion annually, according to The Nilson Report. And it's fair to assume that international markets will be a key driver of this growth. If Square were able to capture just a 2% share of this amount, that would represent more than *15 times* its current annualized payment volume.

In short, international expansion is an *enormous* opportunity for Square, and this acquisition could help accelerate the process.

### **Square is serious about building a global small-business ecosystem**

To sum it up, the Weebly acquisition has the double-benefit of boosting Square's e-commerce presence and accelerating its international expansion efforts.

Over the past few years, Square has evolved rapidly into much more than just small-business credit card hardware. In addition to its core payment-processing business, Square has a thriving loan business, peer-to-peer payments app, food delivery platform, and much more.

This latest acquisition takes Square a step closer to being a one-stop shop for small businesses in its markets -- both brick-and-mortar and online -- and I wouldn't be surprised if Weebly ends up generating far more value for the company than its \$365 million price tag.

### **10 stocks we like better than Square**

When investing geniuses David and Tom Gardner have a stock tip, it can pay to listen. After all, the newsletter they have run for over a decade, *Motley Fool Stock Advisor*, has quadrupled the market.\*

David and Tom just revealed what they believe are the [ten best stocks](#) for investors to buy right now... and Square wasn't one of them! That's right -- they think these 10 stocks are even better buys.

[See the 10 stocks](#)

\*Stock Advisor returns as of April 2, 2018

*Matthew Frankel* owns shares of Square. *The Motley Fool* owns shares of Square. *The Motley Fool* has a *disclosure policy*.

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Matt brought his love of teaching and investing to the Fool in 2012 in order to help people invest better. Matt specializes in writing about the best opportunities in bank stocks, REITs, and personal finance, but loves any investment at the right price. Follow me on Twitter to keep up with all of the best financial coverage!

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### ARTICLE INFO

Apr 27, 2018 at 12:47PM

Financials

### STOCKS



**Square**

NYSE:SQ

\$47.57 \$0.83 (1.78%)

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