



How High Can Shopify Inc's (TSX:SHOP) Stock Price Go?

Description

It seems like **Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) can't stop winning. This past Monday, when most TSX stocks fell, Shopify shares climbed about 1.4%, solidifying a 9% 30 day bull run. Although these aren't the frothiest returns Shopify has ever seen, they show that this stock can hit new highs even when the market is getting hammered.

Since its 2015 IPO, Shopify has been defying all expectations, reaching nearly 10 times its initial price in just three years. But now, with Shopify's revenue growth decelerating and its price/sales ratio well north of 25, is it possible the stock can keep it up?

To answer that question, we need to understand what drove Shopify's rise in the first place.

What's driving the meteoric rise

Shopify's growth has been driven by two things above all: growth and market position. As far as growth goes, the company is easily increasing sales by high double digits every year, hitting 54% in its most recent quarter. That growth rate is down from previous quarters, which went well north of 60%, but it's still super high.

Another thing Shopify has going for it is its market position. It's one of the only publicly traded companies in its niche (ecommerce shopping cart solutions), and it's slowly gobbling up market share from its private competitors. The company has been [tapped by almost every provincial cannabis store](#) to handle online weed transactions, has a number of celeb partnerships, with massive brands like Budweiser on its platform. Very few other ecommerce companies can boast this kind of presence... Few, that is, except **Amazon.com** ([NASDAQ:AMZN](#)).

Breaching Amazon's moat

Amazon has built a massive \$871 billion ecommerce empire on the strength of its all-in-one ecom platform. On Amazon, vendors can list their products, process sales, and have their offers promoted to

millions of customers on a massively popular pre-existing site.

Shopify has a different vision of ecommerce. Shopify stores are self-hosted boutique shops where vendors must drive traffic to their own offers. This means they don't presently get as much support as Amazon vendors do. However, they're more independent, have more control over their branding, and have more flexible payment options.

So... how high can it go?

How high Shopify's stock ultimately goes will depend on how well the company positions itself as the market leader in ecommerce platforms. If it can gobble up enough market share to become dominant in self-hosted Storefront platforms, with say 50% of the market, then it's not unreasonable to think that Shopify could reach an Amazon-like market cap, which would result in a stock price well into the thousands of dollars.

However, at present, the self-hosted ecommerce space is much more fragmented than Amazon's centralized ecosystem, with many medium to large companies like Magento and WooCommerce that compare to Shopify in size. If that remains the case, then Shopify's revenue growth will probably continue decelerating, and we'll likely see a peak share price in the hundreds.

There's also the matter of Amazon [getting into the storefront business itself](#). Recently, Amazon launched its Storefronts platform, a clear Shopify competitor. Although it's still much smaller than Shopify, Amazon has a lot of money to throw at the venture, so I wouldn't count it out just yet.

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Date

2025/09/09

Date Created

2019/03/27
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