



## Why Shopify (TSX:SHOP) Could Be 2019's Stock Of the Year

### Description

**Shopify Inc** ([TSX:SHOP](#))([NYSE:SHOP](#)) is having yet another great year in 2019. Up 118% year to date, it's trading at a staggering \$409. These gains follow an incredible 12-month run for the company, which has witnessed revenue growth rates in the range of 50-60% year over year.

After three consecutive years of high double-digit growth, you might think that Shopify has to slow down. However, history shows that that needn't necessarily be the case. As **Amazon.com** ([NASDAQ:AMZN](#)) has shown, market-beating gains can continue for decades. And it looks like Shopify may be one of the elite handful of stocks that delivers that kind of year-in year-out growth.

If Shopify continues its year-to-date growth for the rest of 2019, it will easily become the stock of the year, beating even cannabis stocks in terms of gains. Speaking of which, let's look at how Shopify has done so far.

### Red-hot gains

As previously mentioned, Shopify has risen 118% so far this year. This isn't the first year that Shopify has delivered gains like that either. Since inception, the stock has risen 1070%, with a 150% gain in 2017 alone. In 2018, the stock rose 50%, which is impressive considering that the TSX lost 15% of its value in the second half of last year.

### Strong earnings growth

Shopify's big gains have been powered by strong revenue and earnings growth. In its most recent quarter, the company grew revenue by [50% year over year](#) and adjusted EPS by 125% year over year. Although the company's GAAP EPS remains negative, the losses as a percentage of revenue are trending downward.

It should be noted that Shopify's stock price gains are way ahead of its revenue growth. While revenue growth rates have averaged 50-55% over the past few quarters, the stock's price is up more than twice

that, indicating that there's something else that's driving Shopify's breathtaking growth.

## The Amazon effect

A major factor that could be contributing to Shopify's growth is the perception that it could be ["the next Amazon."](#)

Amazon has been one of the stock market success stories of the century, rising 1887% since the year 2000. Amazon's stock rose mainly on the strength of solid revenue growth, which after all these years is still hitting high double digits. For years, investors tolerated Amazon's lack of profitability because its growth was just so hot it justified waiting longer on profits.

Shopify is in many ways similar to Amazon in its early days: capable of being profitable, but foregoing short-term profits in the name of growth. Shopify's business is also fairly similar to Amazon's. As an e-commerce shopping cart provider, it benefits from the massive growth in e-commerce that has been sweeping the globe.

Conversely, Shopify's business model is different from that of Amazon's, as it depends more on subscription fees than revenue sharing, but it competes with Amazon for a share of online vendors' business. Assuming that the company can capture a large share of the market it shares with AMZN, it may have a lot of growth ahead of it.

### CATEGORY

1. Investing
2. Tech Stocks

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:SHOP (Shopify Inc.)

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### Date

2025/07/21

### Date Created

2019/06/17

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